

# Facilitating Value Co-Creation in Brand Communities

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Abstract of master's thesis



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#### **Abstract**

#### Research objectives

The purpose of this research is to study the roles of brand communities and the value co-creation they involve in a business to consumer context. Existing literature on this topic discusses the outcome variables of brand community participation, but neglects the managerial intentions behind facilitating value co-creation in brand communities. Contrary to previous studies, the focus of this research is to better understand the roles played by companies in brand communities, and how the value co-creation practices facilitated in these communities are linked to other business operations of the firms. The amount of allocated resources, types of engaged value co-creation activities, and used community channels are also studied in this research.

#### Methodology

The empirical part of this research was conducted by interviewing thirteen managers working with brand communities. In addition, four brand community specialists were interviewed to collect indepth data from experts of this field. The data was gathered by using the method of semistructured interviews and the data collected included a total of 17 transcribed interviews. The analysis was carried out using the method of grounded theory introduced by Glaser and Strauss (1967) to build a holistic picture of the phenomena in question.

#### Research findings

The main findings of this study suggest most of the companies facilitating their brand communities according to one of three different approaches: media, customer-oriented and core business approaches. The bigger the strategic role of a community, the more benefits are also gained from the communities. At best, all decisions made in brand communities are originated from the original purpose and the selected business approach of the community. However, although brand communities are often treated as mere additional media channels, which prevent companies from seeing and benefiting the full potential of their communities, have the position of brand communities in companies been generally fostered during the past few years.

**Keywords** brand community, value co-creation, service dominant-logic, brand community channel



#### Maisterintutkinnon tutkielman tiivistelmä

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#### Tiivistelmä

#### Tutkimuksen tavoitteet

Tämän tutkimuksen tarkoituksena on brändiyhteisöjen ja niissä tapahtuvan arvon yhteiskehittelyn tutkiminen osana yritysten kuluttajaliiketoimintaa. Nykyinen kirjallisuus keskittyy brändiyhteisöissä tapahtuvan osallistumisen vaihteleviin seurauksiin, mutta jättää tutkimatta yritysten taustalla olevat syyt edistää arvon yhteiskehittelyä näissä yhteisöissä. Tämä tutkimus keskittyy ymmärtämään paremmin yritysten roolia brändiyhteisöissä tapahtuvassa arvon yhteiskehittelyssä ja kuinka arvon yhteiskehittely on yhteydessä yritysten muiden liiketoimintojen kanssa. Kohdennettuja resursseja, arvon yhteiskehittelyprosessien tyyppejä ja käytettyjä brändiyhteisökanavia tutkitaan myös osana tätä tutkimusta.

#### Tutkimusmenetelmät

Tämä tutkimus toteutettiin haastattelemalla kolmeatoista brändiyhteisöjen parissa työskentelevää suomalaista yritysjohtajaa. Näiden lisäksi aineistoa kerättiin haastattelemalla neljää mediatoimiston edustajaa, joiden näkemyksiä verrattiin yritysjohtajien antamiin vastauksiin. Haastatteluissa käytettiin puoliohjattua haastattelumenetelmää ja kerätty aineisto koostui kaiken kaikkiaan seitsemästätoista puretusta haastattelusta. Kerättyä aineistoa analysointiin Glaserin ja Straussin (1967) kehittämällä ankkuroidulla teorialla (grounded theory), minkä avulla pyrittiin rakentamaan ymmärrettävä selitys tutkittavalle ilmiölle.

#### **Tutkimuksen tulokset**

Tutkimuksessa selvisi, että yritykset edistävät brändiyhteisöissä tapahtuvaa arvon yhteiskehittelyä pääsääntöisesti kolmen eri lähestymistavan kautta. Nämä lähestymistavat ovat medialähtöinen, asiakaslähtöinen ja ydinliiketoimintalähtöinen tapa. Menestyksekkäimmässä tapauksessa kaikki ratkaisut koskien brändiyhteisöä oli sidottu yrityksen asettamaan lähestymistapaan ja yhteisön alkuperäiseen tarkoitukseen. Tutkimus toi myös esille brändiyhteisöjen strategisen aseman yhteyden yhteisöistä saataviin hyötyihin; mitä keskeisempi asema yhteisöllä oli yrityksessä, sitä enemmän yhteisöstä oli hyödytty. Lisäksi, vaikka useat yritykset hyödynsivät brändiyhteisöjä pelkkinä viestinnällisinä lisäkanavina, oli brändiyhteisöjen strateginen asema noussut yrityksissä viimeisten parin vuoden aikana.

**Avainsanat** brändiyhteisö, arvon yhteiskehittely, palvelulogiikka, brändiyhteisökanava

## **Table of Contents**

1.	Introduction	1
1	1.1 Research gap	3
1	1.2 Research objectives and research questions	5
1	1.3 Definition of key concepts	6
]	1.4 Structure of the study	7
2.	Brand Community	8
2	2.1 Core components of community	9
2	2.2 Social and psychological brand community	10
2	2.3 Primary and extended brand community	11
2	2.4 Online brand community	12
	2.4.1 Company-initiated and consumer-initiated community	13
	2.4.2 Social media-based brand community	14
2	2.5 Brand community participation	15
2	2.6 Facilitating brand communities	16
2	2.7 Level of localization	18
3.	Value Co-Creation	20
3	3.1 Service-dominant logic	20
3	3.2 Co-creating value with customers	22
3	3.3 Value creating community practices	23
4.	Summary of the Literature	26
5.	Research Methodology	30
4	5.1 Research method and the unit of analysis	30
4	5.2 Data collection and methods of analysis	31
	5.2.1 Semi-structured interview	31
	5.2.2 Data analysis and grounded theory	33
4	5.3 Research evaluation	34
6.	Findings and Analysis	36
6	6.1 Brand communities without any approach	37
	6.1.1 Channels	38
	6.1.2 Value co-creation	39

6.1.3 Resources	40
6.1.4 Benefits	41
6.2 Brand communities as part of media approach	42
6.2.1 Channels	43
6.2.2 Value co-creation	44
6.2.3 Resources	45
6.2.4 Benefits	46
6.3 Brand communities as part of customer-oriented approach	47
6.3.1 Channels	48
6.3.2 Value co-creation	49
6.3.3 Resources	51
6.3.4 Benefits	52
6.4 Brand communities as part of core business approach	52
6.4.1 Channels	53
6.4.2 Value co-creation	54
6.4.3 Resources	56
6.4.4 Benefits	56
6.5 Summary of the findings	57
6.6 Discussion	65
6.6.1 Reaching community members through brand community channels	68
6.6.2 Involving brand community members through value co-creation	71
6.6.3 Allocating resources for brand communities	76
6.6.4 Gaining benefits from brand communities	77
7. Conclusion	80
7.1 Theoretical contributions	81
7.2 Managerial implications	83
7.3 Limitations and further research	84
References	86
Annendices	

# **List of Figures**

Figure 1. Summary of the literature	. 27
Figure 2. Conceptual categories and sub-categories	. 37
Figure 3. Relationship between strategic importance and gained benefits	. 61
Figure 4. Theoretical scheme formed around five conceptual categories	. 66
List of Tables	
Table 1. Summary of the findings	. 64

#### 1. Introduction

Technological advantages in the past few decades have dramatically changed the previous roles of companies and consumers. These advances have modified the mindset of people and raised them from the end of the value chain to the center of the processes of companies' value creation (Pongsakornrungsilp & Schroeder, 2011). The term cocreation refers to service-dominant logic of marketing, in which the roles of companies and consumers have moved from producer-consumer to co-creators of value (Vargo & Lusch, 2004). This co-creation happens especially through consumers' consumption practices in different communities, which bind people together through a specific topic of interest. Brand communities, as global phenomena (Arnone et al., 2010), have taken a major role in people's everyday lives and hence, understanding the roles played by consumers and communities in value co-creation is crucial for both researchers and marketers (Pongsakornrungsilp & Schroeder, 2011).

The purpose of this research is to shed light on the roles of brand communities and on the value co-creation they involve. Existing literature on this topic discusses the outcome variables of brand community participation, but neglects the managerial aspects related to consequences of people's participation on these communities. Despite a good understanding of web- and social media-based platforms, for most of the companies it has remained unclear what kind of objectives can be met through their brand communities, what kinds of resources are needed, and what kinds of activities are being engaged in (Gallaugher & Ransbotham, 2010). This research aims at providing new managerial insights on the specific topic and expanding this global academic discussion on a more strategic level. Compared to previous studies, the focus is moved to study the strategic intentions of companies behind facilitating value co-creation in their brand communities. What is more, this research attempts to reveal the roles of brand communities, in order to provide an in-depth understanding on how companies benefit from their brand communities. The focus of this research is to better understand

the roles played by companies in brand communities, and how the co-creation practices facilitated in these communities are linked to other business operations of the firms.

To do this, this study uses the method of semi-structured interviews to gain in-depth data from thirteen managers working with brand communities. The analysis of the data was carried out by using the method of grounded theory introduced by Glaser and Strauss (1967) to build a holistic picture of the phenomena in question. What is more, the findings of this study were reflected both to the previous literature and to the views of specialists from media agencies. Finally, managerial implications, theoretical contributions and themes for future research were recognized.

The main findings from the empirical part of this study suggest that most of the companies facilitate their brand communities according to one of three different approaches, which are media, customer-oriented and core business approaches. Based on the findings, the bigger the strategic role of a community, the more benefits were also gained from the communities. Therefore, companies should define the roles of their brand communities fully on a strategic level, and then basing all the decisions made in brand communities on that certain strategy. At best, all decisions made in brand communities were originated from both the original purpose and the selected business approach of the community. However, although brand communities seemed to be often treated as autonomous units separated from the actual business operations of the firm, these brand communities had fostered their position in several companies and moved into more central positions on their business strategies. However, some challenges are faced especially with issues related to resource allocation, as commonly well-proved performance metrics are lacking. These findings also shed more light on the role of a moderator and how dialogs in brand communities are affected by companies. The results of this study will enable researchers to gain deeper understanding of the particular phenomenon and help managers who are interested in using brand communities as a part of their business strategies to learn what and what not to focus on when facilitating value co-creation in brand communities.

### 1.1 Research gap

The key studies in the area of brand community and value co-creation are the researches of Muniz and O'Guinn (2001), Vargo and Lusch (2004), and Pongsakornrungsilp and Schroeder (2011). Muniz and O'Guinn (2001) were the first ones to introduce the idea of brand community, which exhibits the three traditional markers of community. Their study is grounded in both classic and contemporary sociology and consumer behavior, exploring the characteristics and processes of three brand communities. According to them, brand communities are largely imagined communities (Muniz & O'Quinn, 2001), whereas brand community channels are the methods and systems for communication.

Vargo and Lusch (2004, pp. 1) were the first ones to introduce the idea of service-dominant logic, "in which service provision rather than goods is fundamental to economic exchange". Pongsakornrungsilp and Schroeder (2011) demonstrated the roles played by consumers and brand communities in value co-creation, which refers to the service-dominant logic of marketing introduced by Vargo and Lusch (2004). Pongsakornrungsilp and Schroeder (2011) brought together the concepts of value creation, working consumers, and double exploitation, and focused on value co-creation in specific brand communities.

Following these key studies, various other researchers (Carlson, Suter & Brown, 2008; Arnone, Colot, Croquet, Geerts & Pozniak, 2010; Noble, Noble & Adjei, 2012; Laroche, Habibi, Richard & Sankaranarayanan, 2012; Tsai, Huang & Chiu, 2012; Schau, Muniz & Arnould, 2009; Lee, Kim & Kim, 2011; Zhou, Zhang, Su & Zhou, 2012) have studied this particular topic even further. Most of these later studies were also case studies conducted on a specific brand community, such as football brand communities and several car brand communities (Chery, BMW, Audi, etc.). In most of these studies the focus has been directed on the roles of a customer and on brand community engagement behaviors. In fact, various researches have focused on the outcome variables of community participation. For example, Thompson and Sinha (2008) found that higher levels of participation increase consumers' likelihood to adopt new products

from the preferred brand. In addition, Muniz and O'Guinn (2001) suggested that brand communities form huge problems for controlling rumors, whereas Algesheimer, Dholakia and Herrman (2005) argued that normative pressure may have negative effects on consumers' behavioral intentions.

What lacks in the study of Muniz and O'Guinn (2001) and other studies following their research is the consideration of firms' role in value co-creation in brand communities. Few studies, such as the study of Noble et al. (2012), focus on the benefits gained by companies when building brand communities. However, these studies approach the topic from a more practical perspective, neglecting the strategic managerial aspects related to consequences of people's participation in these communities. As brand communities have taken major roles in people's everyday lives, it is essential for marketers to understand the effects of brand communities from a more strategic perspective. In addition to this, the previous studies do not make a direct link between brand communities and the other business operations of the firms. Such a link should be accurately studied, as the overall purpose of a brand community for a company is to support its overall business performance. According to the study of Schau et al. (2009) it is generally known that value can be co-created, but the best practices for companies on how and through which practices are not.

In this research, the aim is to answer to the needs introduced above while trying to understand and outline the intentions behind companies' actions. The key difference between this and previous research is the angle of observing brand communities, involving analysis of both companies and brand community specialists. This research attempts to reveal the global roles of brand communities in order to provide an in-depth understanding of how companies facilitate and benefit from their brand communities. In addition, compared to previous studies using the methods of netnography and case studies, as for this study, the method of semi-structured interviews is used.

## 1.2 Research objectives and research questions

To research how companies facilitate value co-creation in brand communities, the literature of brand communities and value co-creation are studied. The central constructs whose relationship will be explored in this study are value co-creation and companies' intentions behind facilitating value co-creation in the settings of brand communities. The focus is to understand, what kinds of resources have been allocated to brand communities and based on what criteria, and what kinds of value co-creation practices are used to meet the goals set for brand communities, if any have been set.

Therefore, the aim of this research is to understand the three following things. First, do the actions taken by companies in brand communities result from any bigger intentions? Second, what kinds of value co-creation practices are used and for what reasons? Third, what kinds of resources are allocated to these value co-creation practices and from what do they result? Following this, the attempt is to explain how companies create and facilitate value co-creation in their brand communities, and how they use these communities as part of their overall business strategies.

The purpose of this research is to study the topic from the viewpoint of a business to consumer (B2C) environment. The reason for selecting a business to consumer context over a business to business (B2B) context has many varied reasons. First, facilitating value co-creation in brand communities, especially in a B2C environment, presents currently a hot global interest. Despite rich discussion, a detailed academic research on the roles of brand communities in a B2C context is lacking. Second, operating in a B2C environment is complex in many ways, for example, understanding the reasons behind value co-creation practices requires an understanding of customer behavior and current consuming trends.

In order to study the research problems structured above, one detailed research question has been compiled to clarify the direction of this study. The research question of this study is formulated as:

How do companies facilitate value co-creation in brand communities?

The sub-research questions of this study are:

- 1. What are the intentions behind facilitating brand communities?
- 2. What kind of value co-creation practices are used in brand communities?
- 3. What kinds of resources does facilitation involve?

## 1.3 Definition of key concepts

This research covers a variety of different forms of brand communities and hence, is not limited to social media-based online brand communities (Facebook, Twitter, etc.) only. Magazines, physical stores and exhibitions are covered as well as social media-based online brand communities. Hence, brief definitions of the key concept used in this research are presented below in order to avoid possible misunderstandings.

**Online brand community** refers to a type of brand community, where a group of individuals are engaged in primarily online interaction in virtual spaces around a brand shared by community members (Jang, Olfman, Koh & Kim, 2008)

**Social media-based brand community** is a form of online brand community built upon the platform of social media (Facebook, Twitter, YouTube, etc.).

**Brand community channel** is considered a method or system for communication between both brand community members, and brand community members and a company. These channels might be either offline or online, and are set on different platforms, such as Facebook, exhibitions, and magazines.

## 1.4 Structure of the study

This research has been structured into six main chapters, which present the different stages of this study. In the first chapter, the purpose and objectives of this study are discussed, and the research questions are presented. In addition, a brief discussion of the existing literature and a research gap for this study are introduced.

The second and the third chapters discuss more deeply the existing literature related to this study. The second chapter focuses on exploring different forms of brand communities and discusses about the management of brand communities. The third chapter focuses on value co-creation practices and on the service doming logic of marketing. Finally, the fourth chapter summarizes the findings from these two previous chapters.

The fifth chapter includes a presentation of the research methodology used in this study. First, the research method is presented and the unit of analysis is defined. Second, the data collection method of this study is assessed. Third, semi-structured interviews as a study method is reviewed, and grounded theory as a data analysis method is analyzed. Finally, credibility, originality, resonance, and the usefulness of the results of the grounded theory are discussed.

In the sixth chapter of this study, the findings from the empirical part of this study are presented. The findings are organized into categories according to the open and axial coding processes of grounded theory. Following the coding processes of grounded theory, different categories are further organized into four conceptual categories, which present the different approaches of brand communities. Then, at the end of the sixth chapter, the findings are analyzed and compared both to the previous literature and to the findings gained from the interviews with media agencies. Finally, in the seventh and final chapter of this study, the conclusion and summarization of the findings are presented. What is more, managerial implications, theoretical contributions and themes for future research for this study are discussed.

## 2. Brand Community

People create and communicate information more than ever before thanks to the recent advances in information technology. These advances have enabled consumers to seek and share information more and thereby led to the establishment of a variety of distinct brand communities (Laroche et al., 2012). Brand community, one type of community, is defined as "a specialized, non-geographically bound community, based on a structured set of social relationships among users of a brand" (Muniz and O'Quinn, 2001, p. 412). Communities, especially brand communities, are not restricted by geography or time; on the contrary, they are more than just places. These communities are understood as a shared identity and a group of dispersed individuals with commonality of purpose. (Muniz & O'Quinn, 2001) In fact, according to Muniz and O'Quinn (2001), brand communities are largely imagined communities, whereas brand community channels are the concrete methods and systems for communication.

Brand communities can be considered a marketing tool that can be used by companies to contribute to the development of strong relationships with their customers (Armstrong & Hagel, 1996; McWilliam, 2000). In fact, brand communities were originally introduced as a solution for serving customers, as maintaining one-to-one relationships with customers was not efficient and easy to manage (Laroche et al., 2012). Recent research and theories have succeeded demonstrating the efficacy of brand communities at helping to establish long-term relationships with the brand customers (Aaker, Fournier & Brasel, 2004; Fournier, 1998). Hence, companies are very anxious to learn about, organize, and develop these communities (e.g., Schau et al., 2009; Zhou et al., 2011). Such interest of brand communities can be explained by the advantages of gaining loyal customers, maximizing the possibilities of collaborating with customers (McAlexander et al., 2002), and influencing the actions of customers (Muniz & Schau, 2005). What is more, strong brand communities can lead to a socially embedded loyalty, brand commitment (Jacoby & Chestnut 1978; Keller 1998) and even hyper-loyalty (McAlexander & Schouten, 1998).

In this chapter, a closer look at the literature around brand communities and its different forms will be taken. First, an overview of the core component of a community will be given. Second, a broader discussion of the different types of brand communities will be presented. Third, different factors effecting brand community participation will be discussed. Finally, a model of four distinct goals on facilitating online communities for success will be presented and discussed.

#### 2.1 Core components of community

Brand communities, as well as other communities, are marked by three core components of a community. These components form a core around communities (Andersson, 1983) and hence, are essential to be understood when studying brand communities. These three traditional core markers of a community are a shared consciousness, rituals and traditions, and a sense of moral responsibility. (Andersson, 1983) A shared consciousness is defined as the intrinsic connection that community members feel toward one another and is the most important element of a community (Gusfield, 1978). Members of the community feel an important connection to the brand, but even more importantly, they feel a really strong connection to one another. These members may be in touch to one another by different channels and platforms (e.g. in physical store, radio, TV, Facebook). In fact, according to the study of Muniz and O'Quinn (2001), brand communities are more democratic and inclusive than many other face-to-face communities. Hence, members of this kind of community may feel an even stronger connection to one another.

The second component of a community, rituals and traditions, contains and sustains the shared history, culture and consciousness of the community (Muniz & O'Quinn, 2001). Rituals "are conventions that set up visible public definitions" (Douglas & Ishwerwood, 1979, p. 65) and social solidarity (Durkheim, 1965), when traditions "seek to celebrate and inculcate certain behavioral norms and values" (Marshall, 1994, p. 537). Typically, these rituals and traditions have been shaped by the shared consumption experiences with the brand and maintain the culture of the community (Muniz & O'Quinn, 2001).

According to the study of Muniz and O'Quinn (2001), sharing brand stories strengthens consciousness of kind between community members and ensures the continuance of brand cultures and hence, is an important part of community practices.

The final component of a community, a sense of moral responsibility, produces collective action by creating a sense of duty to the community and its individual members. A moral responsibility encourages members not only to help fix the problems, but also to share information on brand-related resources. In brand communities moral responsibility has two main functions, which are to integrate its members and to assist them in the proper use of the brand. However, it must be noted that the moral responsibility has its own boundaries. (Muniz & O'Quinn, 2001).

#### 2.2 Social and psychological brand community

Previous research has shown that brand communities are often imagined (Anderson, 1983); yet extant research has been formulated around communities which have been defined by their social interaction. In such communities, consumers may perceive a sense of community with or without being in social touch with other community members. (Carlson et al., 2008) As not all the community members are in social interaction with one another, it is essential to understand the roles played by these psychological members of the community. If customers can perceive a sense of community without being in social touch with other community members, how companies can manage brand communities with this kind of members. According to the study of Carlson et al. (2008) a classification of brand communities as social or psychological communities has been presented.

Social brand community is "a social community of brand admirers who acknowledge membership in the community and engage in structured social relations". In contrast, psychological brand community has been defined as "an unbound group of brand admirers, who perceive a sense of community with other brand admirers, in the absence of social interaction." (Carlson et al., 2008, p. 284) Based on these definitions

consumers may perceive a sense of community without ever being in social interaction with one another. Anderson (1983) defines this kind of community as imaginary, wherein the community exists in the mind of the individual. The difference between social and psychological brand communities does not exist in the imagined state of the community, but rather in the nature of the relationship between members. Hence, a psychological sense of brand community (PSBC) should reveal itself in both social and psychological communities despite of the level of social interaction between the members. (Carlson et al., 2008)

What is interesting, the study of Carlson et al. (2008) suggests that creating and maintaining psychological brand communities may require less effort and financial resources than social brand communities. In addition, their study reveals that "the stronger an individual's sense of community with others who use the brand, the stronger is his or her commitment to the brand" (Carlson et al., 2008, p. 291).

## 2.3 Primary and extended brand community

Brand communities do not consist of equally involved community members, and hence, can be divided into primary and extended brand communities (Noble et al., 2012). As not all the community members are equally involved, it is essential to understand the roles played by both high and low involved community members. Defining the characteristics of these two groups may reveal the best practices for value co-creation with high and low involved community members. Noble et al. (2012, p. 476) refer to primary brand communities with forums, discussion boards, and chat rooms, which include "users who are, on average, more attached to and interested in the specific brand than users in the broader extended community". Extended brand communities, on the other hand, include users who are standing outside of those forums and discussion boards and are, on average, less attached to and interested in the specific brand than users in the primary brand communities (Noble et al., 2012).

Noble et al. (2012, p. 477) define primary communities as "marketers' dream group," which consist of "lead users, market mavens, super users, brand champions, and other individuals who share a deep connection to the brand and frequently share that passion with others." Despite the deep connection to the brand, member in these "dream groups" may cause serious problems for companies. In primary brand communities bad product reviews, public complaints to the company, and private messages to discourage other community members are the common ways of showing dissatisfaction of the community members. These unsatisfied product users will express their emotions more openly than users in extended communities, and may cause brand disasters by letting the complaining behavior expand exponentially through different online based communities. (Noble et al., 2012)

## 2.4 Online brand community

The rapid growth of web-based solutions has revolutionized previously acknowledged habits and practices of consumers. The uniqueness of web, knowledge, and flow of information have combined to create new kinds of social forums such as online communities, and more specifically, online brand communities (OBC) (Jang et al., 2008). These new social forums have modified the mindset of people and raised them from the end of the value chain to the center of the processes of companies' value creation (Pongsakornrungsilp & Schroeder, 2011). This co-creation happens through consumers' consumption practices and hence, understanding consumers' participation habits in different communities is more crucial than ever before. In the physical world people meet face-to-face and their participation may be imposed upon involuntarily, for instance, by geographical location (Bagozzi & Dholakia, 2002). Again, in the online world, individuals form relationships and get to know each other virtually, and based on their feelings and experiences choose to meet physically face-to-face, or not (Rheingold, 2000).

Jang et al. (2008, p. 60) define an online community as "a group of individuals engaging in predominantly online interaction in virtual spaces created through the

integration of communication with content developed by community members." Online brand community, in turn, is otherwise similar to online community but is built around a brand shared by community members (Muniz & O'Quinn, 2001). Typical online brand community channels are, for example, official company web pages and different blogs. There are several classifications of online brand communities from various researchers, but they can be grouped into two main types based on the host of the community: consumer-initiated communities and company-initiated communities (Jang et al., 2008).

#### 2.4.1 Company-initiated and consumer-initiated community

The extremely increasing popularity of online based brand communities has globally led both companies and consumers to build online brand communities to promote consumer-brand relationships. In such online based communities, companies and marketers may use these communities as a brand-building tool in order to create, customize, and impose advertising messages for their products. In turn, consumers may build prosperous online brand communities in which they can lead other members to engage voluntarily in various community behaviors. Based on these findings, online brand communities can be classified into two types of communities: company-initiated and consumer-initiated online brand communities. (Algesheimer et al., 2005) However, some of the now well-known company-initiated communities, such as the Facebook group of Coca Cola, were originally established by consumers, and afterwards transited under the Coca Cola Company.

Various researchers (e.g. Berry, 1995; & Muniz & O'Guinn, 2001) argue the hosting of a community being one of the most important factors in the classification of online brand communities, as it reflects to numerous operating mechanisms. In fact, according to the findings of the study of Lee et al. (2011), consumers can easily associate marketers' effort to build and manage online brand communities and, hence, are less likely to engage in community behavior in company-initiated online brand communities. Their study also reveals the causal linkage between community type, social identification motives, and online brand community engagement intentions. Based on

these findings, Lee et al. (2011) suggest managers to encourage consumers to voluntarily share and exchange their ideas rather than imposing their own ideas as sales coupons. What is more, company-initiated brand communities have advantages regarding more detailed product information, but at the same time, may lack skills on working with negative opinions with the branded products (Jang et al., 2008). As brand communities are built by both companies and consumers, it is harder than ever for companies to try to have a consistent and controlled brand message (Noble et al., 2012).

#### 2.4.2 Social media-based brand community

People spend more than one third of their waking hours consuming social media (Lang, 2010). Facebook, the corn stone of social media, has alone over one billion active daily users and increases the number every day (Facebook, 2013). Social media has revolutionized former marketing practices such as advertising and promotion with its unique aspects and tremendous popularity (Hanna, Rohm, and Crittenden, 2011), and influenced consumers' behavior and patterns of Internet usage (Ross, Orr, Sisic, Arseneault, Simmering & Orr, 2009). Understanding the special features of social media is essential when studying brand communities at the moment, as social media have such a crucial role in brand communities. Kaplan and Haenlein (2010, p. 61) determine social media as "a group of internet based applications that builds on the ideological and technological foundations of Web 2.0, and it allows the creation and exchange of user-generated content." "Web 2.0" is mainly used to describe a new platform, in which software and content are produced and developed by various participants "in a continuous and collaborative manner" (Laroche et al., 2012, p. 1756). Social media, on the other hand, is a combination of technologies and practices which allows people to share their knowledge and opinions. Hence, social media and community are concepts that should be explored together. (Laroche et al., 2012)

Social media-based brand communities are community channels built up on the platform of social media. These communities are a special type of brand community and work as a subset of the concept of online brand communities. The main differences

between social media-based brand communities and online brand communities are in their platforms. Brands with famous brand communities, such as Jeep, focus on connecting with their customers on social networking sites, such as Facebook and Twitter, which enable the free flow of information. (Laroche et al., 2012) In social media-based brand communities content is created in cooperation with the community members with videos, pictures, arguments, flirts, and games (Lenhart & Madden, 2007), when in traditional online brand communities individuals consume content passively, for instance, through companies' web pages.

## 2.5 Brand community participation

To study more deeply the ways of facilitating value co-creation in brand communities the definition of brand community participation must first be understood. The ways how consumers participate in brand community affects the way how value co-creation will be built around the community. In addition, consumers' different types of participation must be understood in order to analyze the actions done by companies. Tsai et al. (2012) define participation "as the extent to which a member actively engages in community activities or interacts with other brand community members." Participation not only ensures a community's long-term growth, but also offers valuable insight into potential product improvements to brand managers (Algesheimer et al., 2005). The participation in brand communities can be divided into three different factors: individual-level factors, group-level factors, and relationship-level factors (Tsai et al., 2012).

Tsai's et al. (2012) study suggests that extroverted attitudes and affiliations are required in *individual-level* community participation. Extroversion will conduct consumers to have closer interpersonal relationships and to share information freely with other members (Lucas, Diener, Grob, Suh & Shao, 2000). What is more, extroverted people tend to show more emotions during community activities and gain better satisfaction because of their cross-member relationships (Watson, Hubbard & Wiese, 2000). Baumeister & Leary (1995) argue that the consumers' need for affiliations corresponds to people's desire to receive social rewards from their relationships. Four types of

relevant rewards are suggested: positive stimulation, attention, social comparison, and emotional support (Hill, 1987). All these different rewarding methods are needed.

In *group-level* antecedents of brand community participation Tsai's et al. (2012) separate two main factors: identification and perceived critical mass. Generally, identification refers to a person's self-perception, which enables the person to participate in a brand community to create self-defining relationships with other community members (Bergami & Bagozzi, 2000; Bhattacharya & Sen, 2003). Perceived critical mass, on the other hand, is "the degree to which a consumer perceives the number of participants in a community as greater than some threshold" (Tsai et al., 2012, p. 678). This perception does not always reflect the actual number of participants in the brand community (Tsai et al., 2012). The *relationship-level* antecedents contain two distinct factors: relational trust and brand relationship satisfaction. Morgan and Hunt (1994, p. 23) define that relational trust exists "when one party has confidence in an exchange partner's reliability and integrity". In turn, brand relationship satisfaction reflects a state that results from the overall appraisal of a consumer's relationship with a specific brand (Jap, 2001).

The study of Tsai et al. (2012) shows that the three levels of antecedents, with the exception of brand relationship satisfaction, have significant influences on brand community participation. The link between brand relationship satisfaction and brand community participation is rather culturally specific. In addition, understanding the ways how community members participate in brand communities gives better tool for researchers to analyze the actions done and facilitated by companies. The results of their study also reveal that the consumers' need for affiliation has a significant influence to consumers' participation in brand communities (Tsai et al., 2012).

### 2.6 Facilitating brand communities

The study of Noble et al. (2012) explored the ways of managing brand communities for success. However, since the technological advantages in the past few decades have

raised consumers from the end of the value chain to the center of the processes of companies' value creation (Pongsakornrungsilp & Schroeder, 2011), brand communities cannot literally be managed, but rather facilitated and affected by companies. Zhou et al. (2012, p. 895) propose that in order to facilitate brand community relationships effectively, "companies must cultivate brand community identification and commitment." In fact, based on the findings of Noble et al. (2012), a model of four distinct goals to facilitate online brand communities for success was found. These key drivers are intervention, conversion, value creation, and harvesting (Noble et al., 2012).

Intervention refers to the actions made by formal moderators, "typically compensated employees who review all board postings to (for example) screen for offensive content" (Noble et al., 2012, p. 479). According to the study of Noble et al. (2012), the role of a moderator is rather seen in formal than informal mode in brand communities. In addition, for moderating conversations, companies should not only provide material contribution, for instance a platform, but also provide care and rewards to the brand community (Zhou et al., 2012). In previous studies, the role of a moderator has mostly been seen as facilitating social interaction for community members by co-creating a platform for discussion. In addition, moderators may act as providers by sharing knowledge, information, experience, and so forth (Pongsakornrungsilp & Schroeder, 2011).

The second key driver, *conversion*, refers to converting a disgruntled customer into a source for positive word of mouth (WOM) (Noble et al., 2012). The findings of the study of Noble et al. (2012) show that even converted complainers can become the most passionate "fans" of the brand. In the third key driver, *value creation*, consumers are helped to extract more value from the product in order to enhance the appeal of the brand and cultivate new super users. Such ways to help consumers are, for instance, different beta programs and accesses to new services (Noble et al., 2012). Finally, the fourth key driver, *harvesting*, "is the extraction of bottom-line benefits from an online community" (Noble et al., 2012, p. 481).

Although brands and brand communities are mostly created by companies, community members often feel that they know these brands even better than the companies. What is more, brand community members are aware of the fact that there are companies behind the brands, but still feel that the brand belongs to them as much as it belongs to the company. Following this, community members' opinions must be heard. Involvement that is seen in these community members involves co-operation with the members, and patience from the companies when facilitating, developing, and changing the current image of their brands. (Muniz & O'Quinn, 2001)

#### 2.7 Level of localization

Researches related to brand communities, and more generally to all communities, show that most B2C communities were originally initiated by international brands (Armstrong & Hagel, 1996; McWilliam, 2000). Hence, defining the special features of international brand communities is essential in order to qualify the beneficial value cocreation practices, which can be facilitated on them. Regarding the literature of international business, authors have identified two different perspectives regarding international brand communities: standardization and adaptation to each local market. Managers do not need to choose between these two extremes, but rather find the right balance between these two situations. (Harris, 1992; Vrontis, 2003; Croue, 2006) In fact, to implement an online brand community, which reaches members over national boundaries, requires both processes: global and local (Arnone et al., 2010). Various elements, for instance, language and cultural differences, have their impacts on this strategic decision.

Arnone et al. (2010) have identified three main elements that can have an impact on the geographical spread of brand communities. These elements are the language chosen by the facilitator, the geographical extent of marketing to recruit group members, and the organization of gatherings, which enables community members to meet one another face-to-face. What is more, authors have distinguished processes, which have an impact

on the degree of centralization of the decision-making process between headquarters and subsidiaries (Daniels, 1986; Ozsomer, Bodur & Cavusgil, 1991).

On the basis of the study of Arnone's et al. (2010), three types of international brand community strategies have been identified relying on two criteria: the geographical extent of the community and the degree of centralization of the implementation. The three diverging strategies are independent local communities, coordinated local communities and single global communities (Arnone et al., 2010). With these three identified management modes the strategic choices of international managers can be better understood.

Independent local communities "are initiated by each national subsidiary" when a single global community "is initiated and managed by the marketing head and aims to gather brand customers around a common project in a specific virtual space without any content or language adaption regarding local specificities." On the other hand, coordinated local communities "are a network of local initiated communities managed by the international marketing manager." In coordinated local communities, the aim is to gather consumers from different markets and to foster the creation of a unique identity. (Arnone et al., 2010, p. 101)

All in all, in this chapter, a closer look at the literature around brand communities and its different forms was taken. According to previous researchers, brand communities can be divided into different categories depending on customers' social interactions and community's level of localization. What is more, these communities can help companies to establish long-term relationships with their customers and help to increase brand commitment among community members (Jacoby & Chestnut 1978; Keller 1998). However, as the technological advantages have raised consumers from the end of the value chain to the center of the value creation (Pongsakornrungsilp & Schroeder, 2011), brand communities cannot literally be managed, but rather facilitated by companies through different value co-creation practices.

## 3. Value Co-Creation

The definitions and views of value, value creation and value creators have changed dramatically during recent decades. The view has moved beyond the emphasis of consumers over products (Jaworski & Kohli, 1993), to emphasize how consumers create value and symbolic meanings via their consumption habits and practices (Firat & Dholakia, 2006). In this research, to study the definition of value co-creation, it is important to define the meaning of value first.

Bowman and Ambrosini (2000) define a meaning for value at the organizational level of analysis. Following their definition, value can be understood as willingness to exchange a certain monetary amount for the value received, whereas value creation refers actions to create this value (Lepak, Smith & Taylor, 2007). Contrary to value creation, the term value co-creation refers to service-dominant logic of marketing, in which the roles of companies and consumers have moved from producers-consumers to co-creators of value (Vargo & Lusch, 2004).

In this chapter, the literature around service-dominant logic and value co-creation are discussed. First, a short overview of the service-dominant logic of marketing is given. Second, a broader discussion of value co-creation and practices related to it are presented. Finally, different practices, which relate to value co-creation in the settings of brand communities, are discussed.

## 3.1 Service-dominant logic

All the way before 1960, marketing was only viewed as a transaction of ownership of goods and physical distributions (Savitt, 1990). However, marketing has been moving from a goods-dominant view to a service-dominant view, wherein intangibility, exchange processes and relationships are in the central position (Vargo & Lusch, 2004). The goal of the service-dominant logic is to customize offerings, understand that the

customer is always a co-producer, and to maximize the customer involvement in the customization process in order to better fit services to customers' needs (Vargo & Lusch, 2004). Vargo and Lusch (2004, p. 2) define services as "the application of specialized competences (knowledge and skills) through deeds, processes, and performances for the benefit of another entity or the entity itself."

According to service-dominant logic, a company cannot create value by itself; it can only make value propositions (Vargo & Lusch, 2004). Consumers perceive and determine the value on the basis of value in use. As Mill (1929) stated, humans can only transform operant resources (their skills) to a form in which they can satisfy their needs and desires. According to Vargo & Lusch (2004), a company can gain economic growth by exchanging specialized knowledge and skills with the customers, for instance, in brand communities. Related to this, customers are prepared to participate actively on different relational exchanges and coproduction (Vargo & Lusch, 2004).

On the contrary to the goods-centered view, the service-centered view means being customer-centric (Sheth, Sisodia & Sharma, 2000). This means being customer-oriented, which means collaborating with and learning from customers, and being adaptive to customers' varied needs. The customer is a co-producer of a service (Vargo & Lusch, 2004). This co-production can be seen, for instance, in brand communities, where value can be co-created by involving customers with new product development. The service-centered view should not be equated with traditional conceptualizations, something offered to enhance a good (value-added services), or what have become classified as service industries (education, health care, etc.) (Vargo & Lusch, 2004)

The current marketing literature argues that the resources of the coproduction process must be coordinated in order to provide desired benefits for customers (Vargo & Lusch, 2004). This means that companies cannot only provide a platform for co-creation, but they must learn to be both competitive and collaborative (Day, 1994), and learn to manage their network relationships (Vargo & Lusch, 2004) and moreover, their value co-creation practices. What is more, in a service-centered view the communication must

be characterized by dialogue (Vargo & Lusch, 2004). This is because the communication between customers and a company is rather seen as a mutual relationship (Vargo & Lusch, 2004). Prahalad and Ramaswamy (2000) suggest that customers are the party of the relationship who are controlling the dialogue. Hence, companies should not try to control it by force. On the contrary, companies should rather facilitate the whole coproduction process without affecting the actual dialogue.

## 3.2 Co-creating value with customers

Prahalad and Ramaswamy (2004) defined value co-creation as a process where both producers and consumers create value by collaborating or otherwise participating to the value creation practices. These value co-creation practices can be linked, for instance, to new product development, content creation or maintaining interactive customer services. This co-creation means that consumers no longer exist only at the end of the value chain, but rather they occupy the center of the processes of value creation (Pongsakornrungsilp & Schroeder, 2011). In brand communities, for instance, value can be co-created by involving customers with new product development. Customers can be involved by using videos, pictures, arguments, flirts, and games (Lenhart & Madden, 2007). In addition to the expectation of co-creating value with organizations, consumers are assumed to form social networks (Holt, 1995), demonstrate knowledge and expertise (Alba & Hutchinson, 1987), and to construct and maintain their identity (Denegri-Knott & Molesworth, 2010). Interaction, dialogue, involvement, and consumption between companies and consumers all play essential roles in value co-creation practices (Etgar, 2008; Prahalad & Ramaswamy, 2004; Vargo & Lusch, 2004).

The term "value" is one of the most controversial issues in marketing literature (Sanchez-Fernandez & Iniesta-Bonillo, 2007) and can be perceived differently depending on time, situation, or person (Holbrook, 2006). Lang (2008, p. 334) argues that consumers "have proven that in spite of the best efforts to constrain, control and manipulate them, they can act in ways that are unpredictable, inconsistent and contrary."

According to this statement, value creation practices should not be managed, but rather facilitated with brand community members.

The term "working consumers" (Arvidsson, 2005, Cova & Dalli, 2009) refers to the view that consumers can participate to the value co-creation processes by producing objects of their own consumption on the strength of their own skills and knowledge (Bagozzi & Warshaw, 1990). According to the working consumer framework of Prahalad and Ramaswamy (2000), consumers may be treated by companies as unpaid workers, which may lead to so called "double exploitation" (Cova & Dalli, 2009). In double exploitation consumers are willing to pay for the service despite having transferred value to it (Cova & Dali, 2009). However, the study of Pongsakornrungsilp and Schroeder (2011) argues that double exploitation is not necessarily a threat to consumers as it may enable them to gain power against the real brand owners.

Gift giving is an important component in motivating consumers to co-create value with companies, which has been found in many different contexts (Belk, 2007; Giesler, 2006). This is an essential piece of information, as motivating consumers may create new value for both the company and other community members. The study of Pongsakornrungsilp and Schroeder (2011) shows that co-consuming groups as brand communities are important platforms for value co-creation. In fact, particularly in brand communities, consumers co-create value especially through their consumption practices and value creating community practices, and hence understanding the roles played by consumers in value co-creation is essential (Pongsakornrungsilp & Schroeder, 2011). Next, these value creating community practices played by consumers are discussed more detailed.

## 3.3 Value creating community practices

Research from various aspects of management literature leads to a view that customers can co-create value, co-create strategy, and collaborate in a company's innovation processes with the company (Etgar, 2008; Franke & Piller 2004; Prugl and Schreier

2006; Von Hippel 2005). Understanding the practices behind value co-creation is essential, as consumers create value through their participation in the enactment of these practices (Schau, Muniz and Arnould, 2009). Schau et al. (2009) have identified twelve common value creating practices in brand communities, and further organized these practices into four thematic categories: social networking, impression management, community engagement, and brand use. Understanding the practices involved in value co-creation in all of these categories helps both managers and researchers to better study the possible influencing methods of these practices.

The *social networking* category contains practices that focus on creating and sustaining relations between brand community members. These practices include welcoming, empathizing and governing. The second category, *impression management*, focuses on practices that create favorable impressions of the brand beyond the brand community. These include evangelizing and justifying. (Schau et al., 2009) The third category, *community engagement*, "reinforce[s] members' escalating engagement with the brand community" (Schau et al., 2009, pp. 34). In this category, the practices are related on staking, milestoning, badging, and documenting. The final category, *brand use*, includes grooming, customizing and commoditizing. These practices are strongly related to advanced use of the focal brand. (Schau et al., 2009)

All these practices in different categories share a common anatomy, which contains understandings, procedures, and engagements (Schau et al., 2009). Schau et al. (2009, pp. 35) argue that these practices "work closely together as a process of collective value creation, analogous to gears working together." Brand communities, which have a presence in all practice areas presented above, foster consumption opportunities and create value for both companies and consumers. However, these practices must be repeated to become a part of the value creation processes (Schau et al., 2009). According to the study of Schau et al. (2009, pp. 39-40) "consumers create value through their participation in brand communities and, specifically, in the enactment of practices." Hence, understanding these practices is necessary.

In this chapter, the literature around service-dominant logic and value co-creation were discussed. According to the literature, marketing has been moving from a goods-dominant view to a service-dominant view, wherein intangibility, exchange processes and relationships are in the central position (Vargo & Lusch, 2004).

Based on Pongsakornrungsilp and Schroeder (2011) value co-creation is a process where both producers and consumers create value by collaborating or otherwise participating to the value creation practices. This value co-creation means that consumers no longer exist only at the end of the value chain, but rather they occupy the center of the processes of value creation (Pongsakornrungsilp & Schroeder, 2011). On the other hand, co-consuming groups, such as brand communities, are important platforms for value creation (Pongsakornrungsilp & Schroeder, 2011) and foster consumption opportunities and create value for both companies and consumers (Schau et al., 2009).

## 4. Summary of the Literature

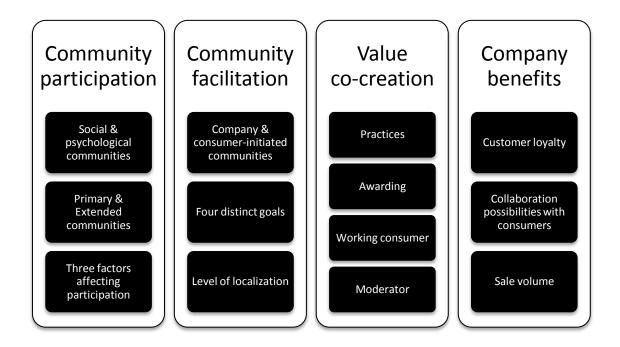
Previous studies have identified brand communities as a platform for value co-creation (Schau et al., 2009; Pongsakornrungsilp and Schroeder, 2011), but neglect the managerial aspects related to consequences of people's participation in these communities. In addition, there are no broader studies on how companies facilitate these value co-creation practices, or through which channels or how the dialogue is carried out. Related to this, only a few studies have shortly mentioned the role of moderators in brand communities (Noble et al., 2012), but have not aimed to answer how company representatives moderate the dialogs or how resource allocation is carried out. What is more, previous studies have not studied why companies use certain types of value co-creation practices in their communities, and why some of these practices are more popular than the others. The shortcomings of the previous researches mentioned above should be explored in more detail and be stated more explicitly.

This research aims to study how companies facilitate value co-creation in brand communities from the perspectives mentioned above. In this study, the key findings from the existing literature are categorized into four groups. These groups are community participation, community facilitation, value co-creation and company benefits. These four groups will act as a guiding tool when structuring the themes for the interviews of the empirical part of this study. However, although these four groups will act as a guiding tool when structuring the themes for the interviews, they will not have an effect on the analyzing processes of the findings, as the analyzing will be carried out using the method of grounded theory (Glaser & Strauss, 1967). Finally, in the chapter of findings, the four approaches found from the empirical part of this study are compared to the previous literature.

The following figure (Figure 1.) presents the factors studied by previous researchers mostly from the perspective of customers. The figure consists of four different groups, each of which involving three to four different sub-categories. In this research, these

themes are used as a guiding tool when structuring the themes for the interviews and are studied in order to expand these global discussions on a more strategic level. Next, these four categories are introduced one by one in more detail.

Figure 1. Summary of the literature



Community participation: The importance of consumer participation in brand communities has been identified by various researchers (Algesheimer et al., 2005; Baumeister & Leary, 1995; Morgan and Hunt, 1994). As consumers create value particularly through their participation in brand communities (Schau et al., 2009), it is essential for companies to understand the different forms of consumer participation. In this study, consumer participation is understood through social and psychological communities (Carlson et al., 2008), primary and extended communities (Noble et al., 2012) and through three factors affecting consumers' participation in brand communities (Tsai et al., 2012). For this study, the importance of community participation must be noticed, as consumers' participation in brand communities affect how value co-creation is built around these communities. In addition, consumers'

different forms of participation must be understood in order to analyze the actions done by companies.

Community facilitation: The study of Pongsakornrungsilp and Schroeder (2011) showed that brand communities cannot literally be managed, but rather facilitated and affected by companies. Related to this, in the study of Noble et al. (2012) a model of four distinct goals to facilitate online brand communities for success was found. In addition, Algesheimer et al. (2005) came up with the idea of company-initiated and consumer-initiated communities when grouping brand communities into two main types based on the host of the community. What is more, regarding the literature of international business, authors have identified two different perspectives regarding international brand communities: standardization and adaptation to each local market (Harris, 1992; Vrontis, 2003; Croue, 2006). Although these studies have shown that brand communities cannot literally be managed, they have not explained how value co-creation is facilitated in these brand communities. Added to this, previous studies do not explain in broader terms the intensions behind companies facilitating their brand communities.

Value co-creation: The study of Vargo and Lusch (2004) recognized the importance of collaborating with and learning from customers, and being adaptive to customers' varied needs. Though previous studies succeeded in recognizing the consumer's role as a co-creator in the field of value co-creation, there are no broader researches conducted on why companies use certain types of value co-creation practices in their communities, and why some of these practices are more popular than others. What is more, Schau et al. (2009) identified twelve common value creating practices for brand communities, each of which contains understandings, procedures, and engagements. Even though Muniz and Arnould (2009) succeeded in showing strong links between these practices, there are no broader studies of the possible influencing methods of these practices.

The study of Prahalad and Ramaswamy (2000) connected the term "working consumer" (Arvidsson, 2005) to "double exploitation," which refers to treating consumers as

unpaid workers of a company. Although Pongsakornrungsilp and Schroeder (2011) recognized that double exploitation is not necessarily a threat to consumers, as it may enable them to gain power against brand owners, they neglected the managerial aspects related to the consequences of the people's growing power on these communities. What is more, as brand communities are built by both companies and consumers, the study of Prahalad and Ramaswamy (2000) suggests that customers should be the party of the relationship who control the dialogue. Companies, on the other hand, should find detours in controlling the whole coproduction process without affecting the actual dialogue. In fact, in previous studies the role of a moderator has mostly been seen as facilitating social interaction for community members by co-creating a platform for discussion, but there are no researches studying how company representatives moderate these discussions. What's more, previous studies have not identified the connections between how companies moderate discussion and how well companies have succeeded with their value co-creation practices. Added to this, previous studies do not explain in broader terms the resource allocation of companies to value co-creation in brand communities.

Company benefits: Past studies have succeeded in recognizing the connection between company benefits and successful value co-creation practices in brand communities (McAlexander et al., 2002; Muniz & Schau, 2005). The study of Muniz and Schau (2005) pointed out that the big interest on brand communities can be explained by the advantages of gaining loyal customers, maximizing the possibilities to collaborate with them (McAlexander et al., 2002), and influencing their actions (Muniz & Schau, 2005). However, although these studies have shown the connection between different company benefits and successful value co-creation practices, they have not explained how these advantages are translated into a growth of organizational performance.

# 5. Research Methodology

This chapter includes a presentation of the research methodology used in this study. In the first sub-section, the research method is presented and the unit of analysis is defined. The second sub-section about data collection and methods of analysis assesses the data collection method of this study. In this sub-section, a semi-structured interview as a study method is reviewed, and grounded theory as a data analysis method is analyzed. Finally, the third sub-section, research evaluation, discusses credibility, originality, resonance, and the usefulness of the results of the grounded theory.

## 5.1 Research method and the unit of analysis

The purpose of this study is to shed light on the roles of brand communities and on the value co-creation they involve. Semi-structured interviews and grounded theory were used as data collecting and analyzing methods in this study, as they were the most eligible methods to explore the aims of this study. Semi-structured interviews were chosen as they provide the most workable method to collect in-depth data, whereas grounded theory gives tools for further theory development.

Several academic articles of brand communities discuss the different roles of consumers in value co-creation, but only a few of them discuss the subject from the perspective of a company. Hence, the objective of this study was to interview managers working with brand communities. In addition, some digital business agencies and media agencies were interviewed in order to collect in-depth data from experts of this specific field of marketing. What is more, the aim was to compare the results to current academic literature and provide input for this specific field of study. According to Yin (2003, p. 22) the unit of analysis in a study should be clearly stated, as both the data collecting and analyzing methods should strongly originate from the chosen units. Thus, the unit of the analysis of this study is defined as the different intentions of companies behind facilitating brand communities. These intensions should determine companies' overall

attitudes towards brand communities, as well as what kind of objectives are expected to be gained from these communities. With empirical data gained from the interviews, the study aimed to build a theoretical scheme around the collected data.

## 5.2 Data collection and methods of analysis

This sub-chapter assesses the data collection method of this study. In this sub-section, a semi-structured interview as a study method is reviewed, and grounded theory as a data analysis method is analyzed.

#### **5.2.1** Semi-structured interview

The empirical part of this study was conducted by collecting data with semi-structured interviews. No single definition for a semi-structured interview exists, as it allows new ideas to be brought during the interviews. For instance, the form of the questions can be same for all the interviewees, but the order of the questions might be changed. In addition, the wording of the questions might be replaced without replacing the actual meanings of the questions. However, the themes explored during the interviews should be well selected in advance. (Hirsjärvi and Hurme, 2000) Hence, the themes used in this study were formed based on the four groups founded from the previous literature.

The interviews were held with thirteen companies on different areas of business between November 2012 and January 2013 (a list of interviewed companies can be found from the appendices). Companies were contacted over industry boundaries based on their size, location, and level of activity on their current brand communities. Companies with well-known brand communities were primary contacted in order to find out the best value co-creation practices used in the market at the moment. On the other hand, managers from the contacted companies were interviewed based on their work with brand communities. In addition, four digital business agencies and media agencies were interviewed in order to compare the answers between agencies and

managers. Thus agencies were contacted based on their knowledge of the value cocreation practices used in the market at the moment. All of the interviewees were contacted through e-mails and/or phone calls. However, around half of the contacted companies refused from the interview with an excuse of lack of time or/and interest. The diverse selection of companies and media agencies was conducted in order to increase the chances of the collected data resonating with the extant research, thus facilitating the identification of common and dissenting elements.

Semi-structured interviews were chosen as the data collection method of this study as they provide the most workable method to collect in-depth data from managers and agencies working with brand communities. Free discussion and pursuing to activate the interviewees were of central focus in the interviews. As the interviewees should be able to bring their thoughts forward as freely as possible (Hirsjärvi & Hurme, 2000), all the interviews were conducted in Finnish, as all the interviewees were native Finnish speakers. Moreover, already in the beginning of the research process extra attention was paid to recognize similarities and differences in the answers of the interviewees.

The questions of the interviews were formulated around six different themes in order to cover the research area of this study. These themes were formed based on the previous literature and the four categories found from the previous literature acted as a guiding tool when defining the research area of this study. However, previous literature had no part on the analyzing or conceptualizing processes of the findings, as the analyzing was carried out using the method of grounded theory. The interviews were structured the way that the same questions were asked in the same order of all the interviewees in order to set a framework for the discussions. However, different follow-up questions were asked according to the interviewees' answers in order to get more thorough explanations. In addition, some questions differed between interviews depending on the answers received from previous interviews and depending on the status of the interviewee. After finishing the interviews the material was transcribed. These texts were then coded based on the analysis framework of grounded theory introduced by Glaser & Strauss (1967).

## 5.2.2 Data analysis and grounded theory

Grounded theory was used as the data analyzing method of this study. The aim of grounded theory is to raise the level of abstraction during the process of analysis in order to build a theory around the collected data, which was the main purpose of this study as well. What is more, grounded theory forces researchers to think of the research topic in both analytical and conceptual ways. (Eriksson & Kovalainen, 2008) Besides the benefits mentioned above, grounded theory gives tools for further theory development and has gained a strong foothold, especially in the field of marketing (Eriksson & Kovalainen, 2008), and, hence, was chosen as the data analysis method in this study.

According to Glaser & Strauss (1967), the coding process of the data is an essential element of the grounded theory methodology. The main idea is to work systematically with the data by using three types of coding: open, axial and selective. Open coding is the first analyzing process of the theory and involves breaking down, and categorizing the collected data. In axial coding, the idea is to identify incidences and events that are related to each other, and discover latent patterns in the words of the interviewees. In fact, one of the key elements of grounded theory is the conceptualization of these latent patterns. Eventually, in selective coding, one category is selected which will finally form the basis for the theory (Glaser & Strauss, 1967).

The analyzing process of the interviewees was started by first transcribing the materials of the interviews. The materials were broken down into discrete parts, examined more closely, and compared to find similarities and differences between them. By doing this, five main categories were found: approaches behind facilitating value co-creation in brand communities, community channels, value co-creation practices, resources, and gained benefits. These categories were found by discovering latent patterns in the words of the interviewees and then, conceptualizing these latent patterns into the categories presented above. For example, words such as Facebook, physical store and exhibition were collected under the same category, since they all describe ways on being in social

interaction with other community members. During the analyzing process no links were connected to previous literature. Second, the materials were examined even more closely to find links and connections between categories and subcategories. By doing this, a more complete picture of the relationships that exist in relation to my research question was found. Besides analyzing the actual words of the interviewees, also my own conceptualization of these words was analyzed. Then, one core category, approaches, was selected which integrated all the other categories to form a larger theoretical scheme. Finally, the findings were reflected to the previous literature and theoretical contributions, and managerial implications and further research needs of this study were recognized.

### **5.3 Research evaluation**

This study is evaluated with several different criteria. These criteria define the level of professionalism of this study. Charmaz (2006) offers explicit criteria for grounded theory research, namely credibility, originality, resonance and usefulness, which all should be evaluated. "All these together have an analytic impact, which, together with evocative writing, can make well-grounded arguments for the case" (Eriksson & Kovalainen, 2008, p. 170).

Eriksson and Kovalainen (2008, p. 170) define credibility as "the researcher's own familiarity with the research topic and setting, sufficient data for claims that made in the research, and systematic analysis development between categories and observations." Without being familiar with the research topic and setting, the study may evoke unanswered questions and damage its credibility. To ensure the credibility of this study, first, a careful documentation of earlier literary material of the subject was provided. Second, gained results from the qualitative study were reflected to earlier formed theories. Third, as this study aims to answer the question of how companies facilitate value co-creation in brand communities, semi-structured interviews were used as the data collection method in order to enhance the credibility of the data collection. Finally,

all the analyzing steps of grounded theory were analyzed and documented to provide systematic analysis development between different categories.

According to Eriksson and Kovalainen (2008, p. 170) originality "refers to the categories developed in the analysis." Furthermore, originality attempts to reveal if the categories are new, have significance, or challenge or change the current concepts (Eriksson & Kovalainen, 2008). According to this definition, the originality of this study was gained by carefully analyzing the received interview answers. Choosing the most suitable research method regarding the aims of this study also enhanced the originality of the results.

Eriksson and Kovalainen (2008, p. 170) define resonance as "the researcher's ability to draw novel meanings and analytic interpretations." On the other hand, Charmaz (2006, p. 528) argues that usefulness refers to the practical aspects of the usefulness of the research results. Demonstrating good resonance in the study is challenging, which demands good analytical skills from the researcher. To ensure resonance in this study, well-reasoned and logical deductions of the findings will be presented in the following chapter. What is more, as the aim of this study is to produce managerial implications, usefulness has an essential evaluation position as a research criterion that was answered in this study.

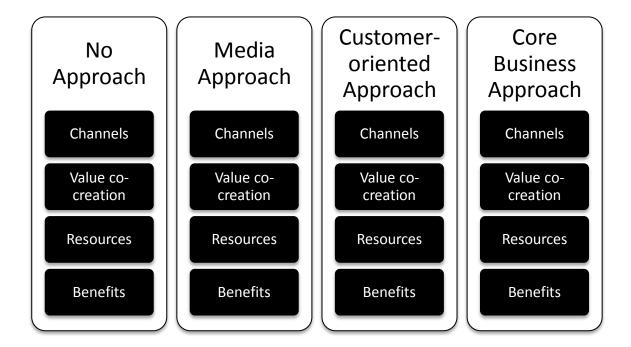
# 6. Findings and Analysis

In this chapter, the findings from the empirical part of this study are presented. The findings are organized into categories according to the open and axial coding processes of grounded theory. Following the coding processes of grounded theory, different categories have been further organized into four conceptual categories, which present the different approaches of brand communities. These four approaches determine companies' overall attitudes towards brand communities, as well as what kind of objectives can be met through brand communities, what kinds of resources are needed, and what kinds of value co-creation activities are being used.

This chapter will start by presenting the findings of each approach. First, the findings of the companies facilitating brand communities without any approach will be presented. Then, the discussion is moved on to the findings of brand communities part of companies' media approach, then to the brand communities part of companies' customer-oriented approach, and finally to the brand communities part of core business approach. These main categories consist of different sub-categories, which have been organized in a thematic order based on the coding processes of grounded theory. First, the findings for the channel-related issues are presented. Second, the focus is moved to explain the findings of value co-creation-related topics. Third, the findings for resource-related topics are presented and finally, the findings related to gained benefits are discussed. These conceptual categories and their sub-categories are further summarized and presented in the following table (Figure 2).

Finally, at the end of this chapter, the findings are analyzed and compared both to the previous literature and to the findings gained from the interviews with media agencies.

Figure 2. Conceptual categories and sub-categories



## 6.1 Brand communities without any approach

Brand communities without any approach refer to companies, which facilitate their brand communities without any connections to their other organizational activities. These communities' main purposes are weakly tied to companies' communication and marketing actions, but without any long-term goals. In addition, these communities are typically owned by small or medium-size companies, which do not follow any specific brand management strategy systematically.

According to the observations gained from the interviews, brand communities without any approach have naturally been formed around brands rather than been built systematically by companies. As argued by a chief executive officer (CEO) from an army gear store (A): "We have not certainly aimed to build any kind of community, but it has rather formed of its own accord." Members of these communities have a true

interest on a specific topic behind the brand (e.g. sustainable use of natural resources, gardening, or local design) and may have formed a community even before the brand existed. When new brands are established, they connect people together under a specific topic, and form, almost naturally, brand communities. Hence, these brand community members can be called the natural fans of the brand. As stated by the CEO from A: "People visit our stores not merely because of the high quality products, but rather because of the possibility to buy our brand."

### 6.1.1 Channels

Online-based platforms, especially social media, were the most used channels in brand communities without any approach. According to Lang (2010), people spend more than one third of their waking hours consuming social media, which gives an opportunity to brands to communicate with their customers without being restricted by geography or time. In fact, based on the interviews, social media-based platforms and companies' own webpages were the most used channels to contact community members. "We select the channels depending on where our customers are," as argued by the CEO from A. Facebook seems to be one such important platform for most of the companies. "Our community expanded to Facebook naturally, as it carries so much significance to people's everyday life" (the CEO from A). Other benefited platforms were physical stores, exhibitions and other online-based web pages.

As the community's main purposes were weakly tied to companies' communication and marketing actions, social media-based platforms such as Facebook and YouTube were perceived to connect well those who were truly interested in the brand. As these platforms were mainly used for the purposes of communication and marketing these channels were not as strictly controlled as the other communication channels owned by the company. However, despite the various numbers of different channels, not all community members were reached through brand community channels. As stated by a chief operating officer (COO) from a Finnish design company (B): "Not all the community members are in social interaction with one another. These members could

be rather described as psychological members of the community." What is more, rather than being in social interaction with all the community members, members seem to form local "fan clubs," which are more socially interactive.

It was common that most of the channels were created and initiated by companies. As mentioned by the CEO from A: "There is no need for members to create conversation outside of the channels initiated by us. Current channels extend all the needed facts, and leave no questions or topics to be discussed outside of our channels." However, there were some conversations created by consumers in different blogs (Suomi24, Punk in Finland, etc.), which were all eventually linked, one way or another, to company-initiated channels. What is interesting, companies did not follow these conversations outside the company-initiated channels. According to the interviews, a lack of follow-up exists mainly because of limited resources.

### 6.1.2 Value co-creation

Based on the interviews, there were almost no facilitated value co-creation practices in these communities. Brand communities were either used to support some few value co-creation practices (new product development, market research, etc.), or were used by no means. "Our practices cannot be called co-creation practices, as they are lacking interaction," argued the COO from B. Most of the companies were lacking resources, which proved to be the main reason for the low-level of usage of different co-creation practices. Moreover, some of these companies had big visions on benefiting from their brand communities, but had done no actions to realize them so far. As stated by the COO from B: "Currently, we do not have the required courage to facilitate value co-creation processes, as we wouldn't be able to manage the ideas received from the customers." What is interesting, although these communities had no connections to other organizational activities, was the importance of sale volumes mentioned a couple of times in association with brand communities. "Of course, the main thing is to sell more," argued the CEO from A.

According to the observations gained from the interviews, intentional activation of community members was mostly seen as an unnecessary action. "Activating community members purposely does not give us any added value," (the CEO from A). Although not all interviewees were ready to stand behind this statement, companies were not ready to allocate their resources to intentional activation. "If resources are used to active our customers, they are used to activate customers to only buy more" (the CEO from A).

Generally companies were not willing to reward their community members from their active and positive behavior. On the contrary, most of the companies were afraid of destroying the authenticity of the community by rewarding some of its active members. "It would destroy the whole idea of the community" (the CEO from A). Some of the interviewees mentioned that they would not be ready to reward their members with concrete products, but would rather reward them with advance information that they will receive through different community channels. "Our community members will be the first ones to get the information through the community channel; it's only natural, if they are really interested in what we are doing" (the CEO from A).

#### **6.1.3 Resources**

Limited resources were mentioned by all of the interviewed companies. These companies did see the possible benefiting opportunities related to brand communities, but did not have enough resources to benefit from them, or, on the contrary, did benefit from them, but without any connections to other organizational activities. As mentioned by the COO from B: "We are lacking resources, which prevents us from benefiting from our community as we would like." Because of the limited resources, these communities were mainly tied to companies' communication and marketing actions. "I would rather call our notes communication messages, as I shun the term marketing" was argued by the COO from B.

Surprisingly, in spite of the lacking resourcing, different amounts of employees were tied to moderate and facilitate brand communities depending on the company. In most of the companies, one employee was carrying the responsible of moderating and updating the community channels as a part of his/her other responsibilities. However, in some of the companies, the responsibility had been split up among three to four employees, who all held the company's password to use the company profile in social media. In addition, other employees were encouraged to visit the community channels and were able to use company profile by request. "In principle, we carry no isolated responsibilities; all carry the responsibility of everything" argued the CEO from A. Generally, the role of a moderator was mostly seen as unnecessary, since community members had not created any negative or blameworthy conversations in the community.

#### **6.1.4 Benefits**

Results gained from the brand communities were somewhat undistinguished in each of the companies. Some of the interviewees were not able to mention any benefits gained from their communities, when few described the community strengthening the loyalty of the current customers. It seems that not the value co-creation processes, but rather the true spirit of the community leads to true success when dealing with brand communities without any approach. The following was stated by the CEO from A: "We have not succeeded thanks to our amazing products, but rather due to the way we are selling them. We are a phenomenon." According to the observations gained from the interviews, communities must be formed due to its members, not due to the intentional activation done by the company.

Companies admitted the profits being the only indicator in measuring the outcomes of their brand communities. No other indicators were used. However, although companies were not able to draw direct connections between their brand communities and net revenues or to measure those, these companies did strongly believe that some kind of correlation between these two phenomena exists. As stated by the CEO from A: "The

correlation cannot be measured, but of course we believe that it exists. Why else would we allocate even some of our resources on brand community?"

## 6.2 Brand communities as part of media approach

Brand communities as a part of media approach refers to companies, which facilitate their brand communities in connection with their media strategy. Contrary to brand communities without strategies, actions done in these communities are mostly in connection to other organizational activities, especially to communicational activities. As argued by a business manager from a metal and consumer brands company (C): "Social media is part of our media strategy and the actions organized in social media are done within the framework of a certain strategy."

Actions done in brand communities were strongly based on the companies' media strategies, which consisted of different sub-strategies, for instance, social media strategy. An annual plan was designed based on the sub-strategies, such as social media strategy, which led to a social media-based annual plan. Finally, the annual plan defined the themes discussed and emphasized for each season in different community channels. Large companies are typically the ones to facilitate communities linked to media approach, as developing and maintaining these multiple strategies consume resources more than smaller companies might afford. As stated by a marketing planner from a dairy company (D): "Messages sent through Facebook are in line with the other messages sent through the other channels."

In these communities, companies must stay interactive in order to keep the community alive. "The success of the community relies strongly on our own energy. Whatever happens in the community comes from us," was argued by a brand manager from a multinational consumer goods company (E). On the contrary to brand communities without any approach, these communities had systematically been built by companies, rather than naturally been formed by the community members.

#### 6.2.1 Channels

Online-based platforms, especially social media-based platforms such as Facebook and YouTube, seemed to be the most valuable channels for brand communities, which refer to media approach. As argued by the brand manager from E: "Facebook is the place to be." According to the observations gained from the interviews, brand communities are seen through social media-based channels, which define the meaning of these communities. "We are not actively building any kind of community; it is only one type of channel for us," as was argued by the brand manager from E.

Currently, online-based channels are treated as one group, although companies are waking up step by step to see the differences between these channels. "Digital media has previously been defined as a group of channels, although Facebook is an original channel as much as any other digital media based channel is," argued the marketing planner from D. Furthermore, it seems that marketing messages must be considered for each channel separately. As argued by the brand manager from E: "According to my observations, marketing messages must always be adapted to a certain channel in question."

Although brand communities were mostly seen through social media-based channels, some dissenting viewpoints were highlighted during the interviews. "Communities should rather be seen through their members, not through their channels" (the marketing planner from D). Apparently companies are currently looking at their brand communities through social media-based channels, although they might sense that these communities should rather be seen through their community members.

Based on the interviews, most of the community channels were both created and initiated by the companies. As argued by the business manager from C: "Company-initiated channels are the most valuable channels, as they are more cost-efficient than consumer-initiated channels for us." What is interesting, on the contrary to brand communities without any approach, these companies followed the conversations created

outside the company-initiated channels. The biggest and best-known consumer-initiated channels were followed by the companies in order to better understand the reactions of their consumers. "Of course various conversations exist outside of our channels, but not all of them can be monitored precisely," explained the marketing planner from D.

In some of the interviews, brand communities were understood merely as groups formed around social media, rather than groups formed around different community channels. Hence, in some of the companies, value co-creation practices, community platforms and resource allocation were mainly connected to social media. However, not all interviewees were ready to swear by social media as an incomparable way of facilitating brand communities. If anything, these companies trusted being in a place where the community members are.

### 6.2.2 Value co-creation

According to the interviews, brand communities were mainly used to share brand-related information and to activate community members to create conversations in different community channels. These conversations were purposely created in order to increase customers' encounters with the brand, which finally could lead to a socially embedded loyalty, brand commitment and positive word of mouth (WOM). However, some of the interviewees looked askance at their own possibilities of creating these conversations. As argued by the business manager from C: "We have nothing against the idea of facilitating conversations, but we have to be realistic." It seems that conversations are pushed by the companies, rather than pulled by the consumers. In addition to conversations, sharing product related information was the most used way of facilitating brand communities. As stated by the marketing planner from D: "Our community works mainly as a certain kind of communication channel, which reaches our current and potential customers through new innovative techniques."

Based on the interviews, interest of new potential community members was boosted by organizing different competitions and games in social media-based channels. "The

purpose of these competitions is to attract new members to our community," argued the brand manager from E. In addition, communities were sometimes even used for the purpose of customer service. "If consumer service is done through social media, it reaches not only the person you are dealing with, but also the other community members, who are able to follow your conversation" (the brand manager from E). What is more, communities were sometimes used as certain kinds of focus groups, for instance, when launching and testing new possible products.

On the contrary to companies facilitating brand communities without any approach, companies using communities in line with media approach were basically willing to reward their community members for their active and positive behavior. As stated by the marketing planner from D: "In suitable situations we aim to reward people for being interactive with us." Common rewarding methods were sharing new information first to community members and raffling product rewards. As an exception, rewarding was seen as an unnecessary activity by one interviewee only.

#### 6.2.3 Resources

According to the observations gained from the interviewees, companies using brand communities in line with media approach seemed to understand the importance of allocating resources to brand communities. "Actions done in communities simply do matter," as was stated by the brand manager from E. These companies saw the opportunities related to brand communities and also possessed some resources for benefiting from them. What is more, an argument related to opportunity costs was mentioned by the brand manager from E. "What would we gain from allocating the same resources to some other communication channel?" In addition to the opportunity costs, limited resources were also mentioned by some interviewees.

The question on who should moderate the community drew a wedge between the interviewees. In most of the cases, companies were ready to outsource a moderator to an external media agency. "Facilitation provides employment for me, a media agency and

a digital agency" (the brand manager from E). On the contrary, some companies were afraid of destroying the authenticity of the community and the tone of voice by outsourcing the facilitation to an external media agency. As stated by the marketing planner from D: "Authenticity is the cornerstone of a community and is destroyed by outsourcing facilitation to an external party." What is more, different amounts of employees were tied to moderate and facilitate brand communities depending on the company. Responsibility for updating the community was either carried by one employee, or outsourced almost entirely to an external media agency.

The role of a moderator was generally seen as an important piece in facilitating communities. "A moderator is this kind of chairman, who rather activates the members than actually divides the floor," explained the brand manager from E. The more blameworthy conversations were created in the communities, the more important the role of a moderator was considered by the companies.

#### **6.2.4 Benefits**

Results gained from the communities were somewhat in line with the resources allocated to them. Those companies, who had allocated more resources to their communities, had also gained more benefits from them. Companies commonly considered the results gained from the communities not mainly resulting from the value co-creation practices facilitated in the community, but rather from other activities done outside the community. As stated by the brand manager from E: "Our community works as an indicator of how we are either doing things right or not. In fact, Facebook is the place where most of our things become concrete." It seems that it is not the value co-creation practices, but rather the actions done outside the community, that lead to success with brand communities in line with media approach.

Based on the interviews, the number of members and the range of the members' voice were the most used indicators of measuring the outcomes of brand communities. In addition, some companies used a method of calculating the users gained from brand communities to their online services. However, all companies admitted the separation of community benefits being extremely complex, especially when considering all the communication channels at the same time. In fact, companies seemed to be more interested on the level of discussion caused, than measuring the correlation between brand communities and sale volumes. What is more, companies thought that continuous interaction with community members leads to a socially embedded loyalty, brand commitment and positive WOM.

## 6.3 Brand communities as part of customer-oriented approach

Brand communities as a part of customer-oriented approach refers to companies, which facilitate their brand communities in connection with their marketing and customer relationship strategies. This approach consists of activities related to, for instance, customer service, product development and value creation practices. The goal of these companies is to maximize customer involvement in order to better customize and develop their services to meet customers' needs. As stated by an online producer from a commercial television station (F): "Customers are involved in content creation in order to add value to other community members." These communities have taken the services and products of companies, and raised them to a new level by involving customers in the value creation processes. What is more, interaction, dialogue, and involvement play important roles in these communities. "People's willingness to participate in community activities surprises me every day all over again," as was stated by an executive producer from F.

Based on the interviews, large companies are typically the ones to own these types of communities. The success of these communities relies strongly on the companies' own energy. "The passiveness of a brand leads easily to the passiveness of a certain brand community," as was stated by a marketing manager from an international home products company (G). In addition, the importance of strong brands was brought up by most of the interviewees. As stated by the marketing manager from G: "Strong brands

are required in order to create successful customer programs. In fact, our strong brand has enabled us to benefit from our community the way we have been benefiting from it so far."

Contrary to companies facilitating brand communities in line with media approach, companies facilitating brand communities in line with customer-oriented approach understood communities not being equal with the community channels. As stated by the marketing manager from G: "Communities do not need to be formed around some technical platforms, but may equally be formed in some other ways as well." What is more, those companies with international brands were facing challenges balancing between local and global community strategies. As stated by the marketing manager from G: "Facilitation of our communities is decentralized for each local market. However, despite localization, by moving to centralization, a common global brand could be integrated."

#### **6.3.1 Channels**

Community channels were mainly selected on the basis of customers' locations. As stated by the executive producer from F: "We will go where people already are." Different channels were used in order to offer customers natural places to be themselves. Online-based platforms, especially social media-based platforms, were the most used channels based on the interviews. "Facebook and Twitter are absolutely the easiest channels to activate community members," was argued by the online producer from F. Companies have created their own phone applications and are developing new innovative solutions to contact community members. According to the opinions of the interviewees, the new social media-based channels do not steal community members from the previous community channels, but, on the contrary, complete them. In fact, in most of the companies, social media-based platforms were working nicely together with other online-based platforms. As stated by the marketing manager from G: "Different channels only complete one another." In addition, companies were also using more

traditional channels, such as customer magazines, to communicate with their community members.

Most of the brand community channels were both created and initiated by the companies. Companies stated wanting to facilitate conversations in their communities in order to ensure the quality and cohesion of their brands. "Our community members are active whether we try to activate them or not. Company-initiated channels are a great way to point out places where to have these conversations," was argued by the executive producer from F. In addition, all interviewees highlighted the importance of using personal voice when talking with community members, whatever channel was used. However, the companies did not confess the channels initiated by the consumers possessing any threats to their company-initiated channels. These companies followed the biggest and best-known consumer-initiated channels in order to better understand their consumers' behavior. As expressed by the executive producer from F: "We are more like a big sister/brother to our community members, rather than a company or a brand."

### 6.3.2 Value co-creation

Value co-creation practices play a huge role in these brand communities. Based on the observations, the goal was to create value for both consumers and companies by involving customers into different marketing processes. As stated by the online producer from F: "We aim to commit our customers to content creation, which will push them to involving, sharing and commenting even more. Finally, they will be an unnoticed part of our marketing processes." However, companies are not cheating their customers, but rather receiving value from them by making them talk.

The most used methods to activate customers were sharing different types of enquiries and encouraging customers to co-create content with companies. By using enquiries, companies tried to send the message of truly being interested in their customers' desires. What is more, companies wanted to understand their customers' desires in order to

improve their products to better match their customers' needs. As mentioned by the marketing manager from G: "Information gained through enquiries is truly valuable for us." The aim is to study through enquiries what customers expect from the company and if something should be changed. On the other hand, through content co-creation, companies aimed to demonstrate having true relationships with their customers, and consumers having actual possibilities to affect companies' value creation processes. Furthermore, by encouraging consumers to create content by directly asking for it, companies were seen as interactive and customer-oriented in the eyes of their customers. As mentioned by the online producer from F: "Good content is the key to everything. It involves other customers, while creating value to other customers."

According to the interviews, companies must have true dialogues with their customers and listen to them. The marketing manager from G stated that "Never underestimate your customers, or think you are better than them." In order to gain customers' trust, companies must be absolutely honest to them. "Customers are not stupid and they do find out, if companies hide or are not telling something," was argued by the marketing manager from G. In fact, customers' trust was mentioned by all of the interviewees as the cornerstone when facilitating value co-creation in brand communities.

Many of the interviewees mentioned polls and competitions being easy ways of involving customers. "People have a huge thing about voting" (the executive producer from F). In addition, customers are encouraged to help and inspire one another in order to create new ideas and solutions. As expressed by the marketing manager from G: "Customers can write and take picture of their problems and get suggestion from other customers." What is more, brand communities are used to share brand-related marketing and topical information.

Based on the interviews, the most used rewarding methods were acknowledging active members in public, sharing information to community members in advance, and giving members possibilities to affect the actual services and products. In fact, all interviewees highlighted the importance of rewarding active community members. "Absolutely."

Rewarding is one of the key things when facilitating value co-creation activities," argued the online producer from F. In addition, some interviewees were ready to raffle some product rewards between active community members.

## 6.3.3 Resources

Contrary to companies facilitating communities in line with media approach, these companies were allocating more human resources to their brand communities. As stated by the marketing manager from G: "Any amount of people around the company is involved in the community." Companies have understood the various benefiting opportunities related to brand communities and also possess enough human and monetary resources to benefiting from them. In addition, contrary to companies facilitating their communities in line with media approach, one or more teams from different departments (marketing, web, customer service, editors, PR, etc.) were involved in taking care of the facilitation in these companies. However, some companies were still facing problems with limited resources.

The role of a moderator was generally seen as an important piece in facilitating communities. "The hired moderator works in cooperation with the community members," argued the executive producer from F. The more blameworthy conversations were created in the communities, the more important the role of the moderator was considered by the companies. What is interesting is that although the role of the moderator was generally seen as very important, it seemed that moderators only work in some channels. These companies were not using moderators in all of their social mediabased platforms, such as Twitter. What is more, as stated by the online producer from F: "The key is to balance between pleasing and needling your brand community members. When the balance is around fifty-fifty, the company has succeeded. It will evoke enough resistance and support in order to create great conversations."

#### **6.3.4 Benefits**

Results gained from the communities were somewhat dissenting depending on the company. According to the interviews, some of the companies had rather learned about their customers' behavior; whereas other companies had gained better content to their community channels. However, all of these companies had gained results related to customer loyalty and positive WOM, and had gained some kind of financial benefits. What is more, all companies had learned a lot about their brand communities and how they can better be facilitated. In addition, some companies had founded new advertising and marketing solutions and been able to create added value to their customers.

According to the interviews, a method of calculating the users gained from brand communities to companies' other services, such as to purchasing services, was the most used indicator of measuring the outcomes of brand communities. In addition, some companies used the method of calculating the numbers of "tweets" or "likes" in their social media based platforms. However, all companies admitted the separation of community benefits being extremely complex to measure. What is more, contrary to companies facilitating brand communities through media approach, these companies seemed to be interested in measuring the correlation between brand communities and financial benefits, rather than being interesting in the level of discussion caused.

# 6.4 Brand communities as part of core business approach

Brand communities as part of core business approach refers to companies, which facilitate their brand communities as a part of their core business. Brand communities are in the center of the companies' decision-making policy, and the community's needs are always taken into account when making strategic decisions in the company. "The community is part of the core business," was stated by a chief marketing officer (CMO) from an entertainment company (H). Some companies had even built closed communities with a few community members in order to systematically develop

companies' products and services. "We are making this journey hand in hand with our community members," stated a brand manager from a dairy company (I).

Although, the products and services of companies could be personal, the experiences gained through these products and services were shared through different community channels to other community members. What is more, community members did not necessarily need to be in social interaction with one another, as the psychological bonds between the community members were so strong.

Like companies facilitating brand communities through customer-oriented approach, the goal of these companies was to increase customer involvement in order to better develop their services to customers' needs and add more value to their services. As stated by a marketing director from a broadcast media company (J): "Customers are involved in order to create value to other community members." Brand communities have taken the services and products of companies, and raised them to a new level by involving customers in the value creation processes. This way completely new products and services have been created around brand communities. What is more, interaction, dialogue, and involvement all play essential roles in these communities. As stated by the marketing director from J: "I'm surprised all over again how much these people are willing to do for the community." Members of these communities were true fans of certain brands, although most of the communities were built and created by companies. "Our fans are outrageously passionate, and I'm surprised every time how much our brand means to them," expressed the marketing director from J. In addition, like companies facilitating brand communities through customer-oriented approach, also these companies with international brands were facing challenges in balancing between local and global community strategies.

#### 6.4.1 Channels

In all companies, community channels were selected on the base of customers' location. As mentioned by the CMO from H: "A community exists where it exists by change. For

us, channels are only instruments to contact customers and, hence, our channels are merely selected on the basis of customers' location." Online-based platforms were the most used channels based on the interviews. "Facebook, Twitter, the company's homepage, and other webpages are all vivid channels for us," argued an editor from a media company (K). In addition, some companies were using more traditional channels to reach their customers, such as TV, radio and exhibitions, depending on the company and its field of business.

Most of the brand community channels were both created and initiated by the companies. Like companies facilitating their communities through customer-oriented approach, these companies pointed that their willingness to facilitate conversations in their communities is in order to ensure the quality and cohesion of their brands. In addition, all these companies mentioned following the biggest and best-known consumer-initiated channels in order to better understand their consumers' needs and desires. As mentioned by the CMO from H: "It's essential to participate in conversations outside our channels in order to understand customers' trains of thought and be ready to answer to their needs."

### **6.4.2 Value co-creation**

Value co-creation practices facilitated in brand communities varied little depending on the company. However, despite of the variety, all companies had set a common goal on facilitating their value co-creation practices in line with their organization strategy. Based on the interviews, companies aimed to create value and conversations by involving customers in different value creation activities, such as, sharing own photos. As stated by the marketing director from K: "We aim to build continuous dialogue with our customers by using value co-creation practices from wall to wall." What is more, in many of these companies community members were harnessed to the needs of other customers. "Benefiting from community members is a great way to create value to other customers," argued the marketing director from J. This means, for instance, creating

interesting content for community members by encouraging other members to create this content.

The most used co-creation practices were new product development, content co-creation, and test group invocation. By involving customers with new product development companies listened to their customers' desires and created products and services, which could better match their customers' needs. As mentioned by the brand manager from I: "It is a strategic decision to develop our products in cooperation with our customers." However, not all the development ideas received from the customers were actually worth implementing. According to the marketing director from J, "The ideas received from the active customers only represent the opinions of the tip of the iceberg of customers and hence must be modified before actually being employed." Based on the interviews, these opinions shared in brand communities represent only the active members of the community, which is around 5 percent of all of the community members.

Companies utilized test groups in order to find flaws and defects from their products. By doing this companies aimed to increase the loyalty between community members and to strengthen the relationship between customers and the company. In addition, like companies facilitating brand communities through customer-oriented approach, these companies also encouraged their customers to create content in cooperation with the company. What is more, many interviewees mentioned polls and competitions as being easy ways of involving customers. As argued by the marketing director from J: "The easiest way to activate customers is simply to directly request them to do that."

All interviewees highlighted the importance of rewarding active community members. "Rewards do not necessary need to be concrete or existing. New rewarding methods are innovated all the time," was expressed by the CMO from H. Based on the interviews, the most used rewarding methods were raffling product rewards between active community members, sharing information with community members in advance, and giving members possibilities to affect the actual services and products. In addition,

interviewees mentioned the importance of acknowledging active community members in public.

### 6.4.3 Resources

A great deal of resources was allocated to brand communities by these companies. Based on the interviews, companies had strategically decided to facilitate their brand communities and hence, also possessed enough resources for benefiting from them. As argued by the CMO from H: "Brand community reports and their progresses are followed all the way to the top of management on a weekly basis." Teams from different departments (marketing, web, customer service, editors, PR, etc.) had the daily responsibility of facilitating and following community channels and creating weekly reports on their progress. Especially the department of marketing and consumer research, and the department of product development were strongly involved with activities done in brand communities.

The role of a moderator was seen as very important in these companies. Like brand communities facilitated through media approach, the more blameworthy conversations were created in these communities, the more important the role of the moderator was considered by the companies. "The moderator's key responsibility is to create an atmosphere where pleasing and needling brand community members are in balance," was argued by the marketing director from J.

#### **6.4.4 Benefits**

Results gained from the communities were somewhat in line with all of the companies. According to the interviews, most of the companies had learned a lot about their customers' behavior and, moreover, gained both new content and overall value from their customers. Companies had gained value, for instance, by selling commercial spots for advertisers during well-liked discussion shows broadcasted on radio. As stated by

the marketing director from J: "The better we understand the behavior of customers and ways of affecting them, the better we can harness our customers to the needs of our other customers." In addition, as argued by the CMO from H: "We have been able to continuously learn new things from our customers, which explains a lot of our success." All of these companies had also gained results related to customer loyalty and positive word of mouth. What is more, all of the interviewees mentioned having gained great financial benefits by facilitating co-creation in their communities. In addition, some of the companies had also founded new advertising and marketing solutions and been able to create new products and services thanks to the cooperation with their community members.

Methods of measuring the benefits gained from the communities varied widely depending on the company. Some of the companies measured their results with various quantitative and qualitative methods, whereas some companies only measured few main variables. However, all of the companies selected their methods on the basis of their business strategy. What is more, the methods were selected to form an interoperable combination of different instruments, which together would help companies to facilitate their brand communities. As stated by the marketing director from J: "Thanks to the combination of our different instruments, we have been able to learn a lot about our consumers and their behavior." According to the interviews, a method of calculating the users gained from brand communities to companies' other services was a commonly used instrument of measuring the outcomes of brand communities. In addition, some companies used the methods of calculating the numbers of "tweets" and "likes" in their social media based platforms.

## **6.5 Summary of the findings**

The results gained from the interviewees were organized into four categories according to the different coding processes of grounded theory, and then further organized into various sub-categories. During the research process, various factors came up under each of the four "approach" categories. These factors are summarized and discussed in more

detail in this chapter. Based on these gained findings, many similarities and differences were found between these categories.

The reasons behind creating and maintaining brand communities differed between the categories. While the brand communities without any approach were established by the community members in nature, brand communities under the three other approaches were rather created purposefully by the companies. Brand communities under media approach were created to support the other media channels of companies, whereas brand communities under customer-oriented approach were created to maximize customers' involvement to better match companies' services with customers' needs. In addition, brand communities under core business approach were created to build continuous dialogue with customers by using different value co-creation practices.

One of the common features between the four approaches was that the community channels were mainly selected on the basis of customers' locations. Based on the interviews, these channels work mainly as instruments for companies to contact their customers and, hence, they were merely selected on the basis of customers' locations. Online-based platforms, especially social media-based platforms, were the most used channels in all of the strategic categories. As people are spending more than one third of their waking hours consuming social media (Lang, 2010), different social media-based platforms give an opportunity for companies to communicate with their customers without being restricted by geography or time. In addition, more traditional onlinebased platforms, such as a company's webpages, were the second most used platforms from all of the companies. The ability of online-based platforms, to make conversation between community members easier, was seen as one of the main reasons to use onlinebased channels as opposed to traditional physical channels, such as exhibitions. However, other channels were used in addition depending on the company, its field of business, and customers' behavior. The communities' approaches seemed to have no effect on the companies' channel choices, as they varied wildly over the approach boundaries.

Another common thing for all of the categories was that most of the community channels were both created and initiated by the companies, while the actual reason for channels being company-initiated differed between the categories. Most of the brand communities under core business approach were company-initiated as the quality and cohesion of the brands was desired to be controlled and administrated by the companies. On the other hand, brand communities under media approach were initiated as they worked as part of the companies' official information channels, whereas brand communities under customer-oriented approach were initiated because of the need to facilitate value co-creation processes in brand communities. In addition, almost all companies from each of the approaches followed the biggest and best-known consumer-initiated channels in order to better understand the reactions of their customers.

Value co-creation practices facilitated in brand communities varied widely between the categories. While the brand communities without any approach were mainly facilitated without any value co-creation practices, brand communities under media approach were rather facilitated by encouraging community members to participate in community conversations. With these practices, companies using brand communities under media approach aimed to increase customers' encounters with their brands, which finally could lead to a socially embedded loyalty, brand commitment and positive WOM.

For companies facilitating brand communities under customer-oriented approach and core business approach, value co-creation practices were more crucial. The goal of these companies was to maximize customer involvement in order to better customize and develop their services to customers' needs. Interaction, dialogue, and involvement all played important roles and customers were activated by using several kinds of value co-creation practices. The most used co-creation practices were new product development, content co-creation, and test group invocations. Other frequently used methods were sharing enquiries and encouraging customers to co-create content with the companies. Polls and competitions were also mentioned as being easy ways of involving customers. Following this, it seemed that facilitating continuous dialogue with community

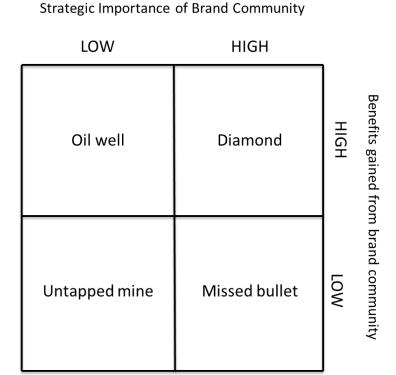
members was more important than actually using certain kind of value co-creation practices.

The following model (Figure 3) presents the relationship between the strategic importance of brand communities and benefits gained from brand communities. The model is based on the interviews held with the business managers working with brand communities. The "high" edge of strategic importance presents brand communities facilitated through core business approach, whereas the "low" edge presents the brand communities without any approach. Brand communities as part of media and customeroriented approaches locate between these extremes. The four categories of the fourfold table are oil well, diamond, untapped mine, and missed bullet.

The category "oil well" symbolizes companies with high gained benefits without strong strategic goals, whereas the category "untapped mine" represents companies with only low gained benefits without strong strategic goals. Typically, companies in the category "oil well" do not follow any specific brand management strategy systematically and the communities have been formed of their own accord, rather than been built by the companies. On the other hand, companies in the category "untapped mine" show a low-level of time and resources for brand communities and are treating communities merely as additional media channels, which prevent them from seeing and benefiting the full potential of their communities.

While the category "diamond" signifies companies with both high strategic goals and high gained benefits, the category "missed bullet" symbolizes companies with high strategic goals with only low gained benefits. Generally, in the category "diamond" brand communities are in the center of the companies' decision-making policy, and the community's needs are always taken into account when making strategic decisions in the company. On the other hand, companies in the category "missed bullet" allocate great deal of resources for their brand communities, but do not succeed to activate their community members because of a lack of knowledge of community members' needs and wills.

Figure 3. Relationship between strategic importance and gained benefits



When discussing possible rewarding methods of active community members, the viewpoints differed between the categories. While companies facilitating brand communities without any approach were not willing to reward their community members at all, brand communities under the three other approaches seemed to be more willing to reward their members of their active behavior. Companies facilitating brand communities without any approach were afraid of destroying the authenticity of the community by rewarding some of its active members. On the other hand, brand communities under media approach were ready to reward their members in a few suitable situations, whereas brand communities under customer-oriented approach highlighted the importance of rewarding active community members and acknowledging them in public. What is more, companies facilitating brand communities

under core business approach highlighted the importance of acknowledging active members on the whole, rather than concentrating on the concrete rewarding methods.

Resources allocated to brand communities differed between the categories. While lacking resources prevented companies without any approach from benefiting from their communities as wanted, companies facilitating brand communities through core business approach were following their community reports all the way from the top of management on a weekly basis. What is more, although companies facilitating both brand communities through media and customer-oriented approaches understood the importance of exploiting brand communities, different amounts of resources were allocated between these two strategic categories. Companies facilitating brand communities through media approach were more cautious and used opportunity costs as an argument for their resource allocation, whereas companies facilitating brand communities through customer-oriented approach were rather ready to allocate any amount of people around the company.

With regard to resource allocation, brand communities under all of the categories were of one mind about the roles of a moderator. A moderator was generally seen as a kind of chairman, who rather activates the members than actually divides the floor. The key skill of a moderator is to balance between pleasing and needling brand community members in order to evoke enough resistance and support, and create great conversations in communities. Regarding communities under media and customeroriented approaches, the question of who should moderate the community drew a wedge between the companies. Some of the companies were afraid of destroying the authenticity of the community and the tone of voice by outsourcing the facilitation to an external media agency. Following this, one of the strongest themes arising from this study is trust. In fact, being honest and gaining customers' trust was mentioned by all of the interviewees as a crucial element when facilitating value co-creation in brand communities.

Results gained from the communities were somewhat in line with the resources allocated to them. While results gained from the brand communities without any approach were somewhat undistinguished, results gained from the brand communities under media approach were rather related to customer loyalty and WOM. What is interesting is that companies facilitating brand communities according to media approach commonly considered the results gained from the communities mainly resulting from the other activities done outside the community, rather than from the value co-creation practices facilitated in the community. In addition, companies facilitating brand communities through core business approach had all learned a lot about their customers' behavior, gained great financial benefits and, moreover, gained new content and overall value from their customers.

Finally, the four categories seemed to have no effect on companies' indicator choices, as they varied over the category boundaries. While companies facilitating brand communities without any approach were only interested in sale volumes, companies facilitating communities through media approach were more interested in the level of discussion created than measuring the correlation between brand communities and sale volumes. On the other hand, calculating the users gained from brand communities to companies' other services, such as to purchasing services, was the most used indicator of measuring the outcomes by companies facilitating brand communities through customer-oriented approach. In addition, contrary to companies facilitating brand communities through media approach, these companies were interested in measuring the correlation between brand communities and financial benefits. What is more, companies facilitating brand communities according to core business approach measured their results with different quantitative and qualitative methods. However, all of these companies selected their methods on the basis of their chosen approach.

The following table (Table 1) summarized the results gained from the interviews. In the next chapter, the findings will be analyzed and compared both to previous literature and to the findings gained from the interviews with media agencies.

**Table 1. Summary of the findings** 

	No	Media	Customer-oriented	Core Business
	Approach	Approach	Approach	Approach
General	<ul> <li>No long-term goals</li> <li>Owned usually by small &amp; medium-sized companies</li> <li>Naturally been formed by the community members</li> <li>Community's success relies strongly on its members' energy</li> </ul>	All actions in connection to media strategy and its substrategies     Community's success relies strongly on company's energy     Owned usually by large companies     Community mainly seen as social mediabased platforms	All actions in connection to marketing strategy     Goal to maximize customers' involvement to customize services to their needs.     Community's success relies strongly on company's energy     Owned usually by large companies	Communities are in the center of companies' decision-making policy     Community's success relies on both company's and customers' energy     Balancing between local and global community strategies
			- Balancing between local and global community strategies	
Channels	Channels are selected on the basis of customers' location     Online-based platforms are the most used channels     Channels are mostly companyinitiated, but were not strictly controlled     Consumer-initiated channels are not followed	<ul> <li>Channels are selected on the basis of customers' location</li> <li>Social media-based platforms are the most used channels</li> <li>Companies initiate most of the channels.</li> <li>Biggest consumerinitiated channels are followed by the company</li> </ul>	- Channels are selected on the basis of customers' location - Online-based platforms are the most used channels - New innovative solutions are used to contact community members - Companies initiate most of the channels Biggest consumerinitiated channels are followed by the company	Channels are selected on the basis of customers' location     Online-based platforms are the most used channels     Companies initiate most of the channels.     Biggest consumerinitiated channels are followed by the company
Value co-creation	Only few co- creation practices or none     No rewarding of active members	Main co-creation practices are sharing brand related information, involving conversations, and using competitions     Some rewarding with pre-information and product rewards	Goal to create value for both consumers and companies by involving customers with marketing processes.      Main co-creation practices are sharing different types of enquiries and encouraging customers to co-create content      Rewarding through acknowledging, sharing information,	Aim to build continuous dialogue with customers by using co-creation practices from wall to wall     Most used co-creation practices are new product development, content co-creation, and test group invocation     Rewarding through raffling product

			and giving chances to affect the actual services	rewards, sharing information, and giving chances to affect the actual services
Resources	<ul> <li>Very limited resources</li> <li>Different amounts of people involved</li> <li>No need for moderation is seen</li> </ul>	Responsibility to moderate is mostly outsourced to an external media agency      The role of a moderator varies depending on the company	<ul> <li>Teams from different departments are involved in taking care of the facilitation</li> <li>A moderator is generally seen as an important piece in facilitating communities</li> </ul>	Teams from different departments are involved in taking care of the facilitation on a daily basis      The role of a moderator is very important
Benefits	Limited benefits gained from wall to wall     Only gained profits are used as an indicator	- Results gained from the communities do not results from the value co-creation practices facilitated in the community, but rather from the other activities done outside the community  - Main indicators are number of the members and the range of the members' voice	Results relate mainly to customer loyalty, positive word of mouth, and financial benefits.      The most used indicator is calculating the users gained from brand communities to companies' other services	- Results relate to learning about customers' behavior, and gaining the following things: new content and product ideas, customer loyalty, positive word of mouth, and great financial benefits - Indicators vary widely depending on the company, but are all selected on the basis of a chosen strategy

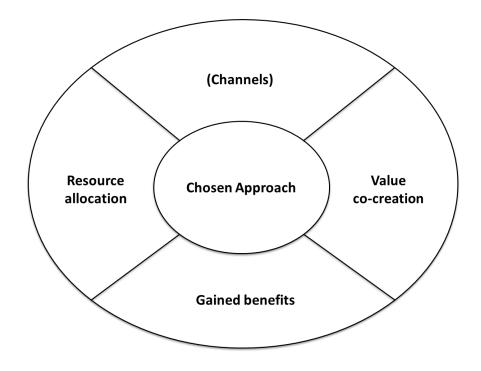
## 6.6 Discussion

Reasons for creating and maintaining brand communities differed between the categories. While some of the brand communities were established without any approach, the rest of the communities were established according to either media, customer-oriented or core business approach. Based on the interviews with media agencies, it's advisable to define the roles of brand communities entirely on a strategic level. These strategies connect brand communities to other business activities, which define the strategic purposes of these communities. All the decisions made in brand communities, such as channel choices, should rely either on the chosen strategy or other

business aims. As stated by a designer of a media agnostic marketing communications agency (L): "All decisions should proceed from the original purpose of the brand community." Hence, defining the strategies or approaches for brand communities is extremely important.

The five conceptual categories discussed and analyzed in this study are presented in the figure below (Figure 4). These five categories, which are based on the coding processes of grounded theory, are a chosen approach, channels, value co-creation, resource allocation, and gained benefits. The connections between these five categories are presented in the figure by setting the category "chosen approach" in the center of all the other categories. Because the category "chosen approach" was able to explain the changes in the other categories (except in the category "channels"), it was chosen as the core category, which integrates all the other categories to form a larger theoretical scheme.

Figure 4. Theoretical scheme formed around five conceptual categories



According to the media agencies, the possibilities of maintaining and facilitating brand communities should be clearly defined before actually establishing communities. Despite this fact, many of the existing brand communities were established without longer-term plans, which may have caused rather negative than positive impacts for the companies. By treating communities as media channels, the potential of communities was wasted, and no long-term plans were mostly even shown. In fact, as recognized by the designer from L: "Regrettably many companies treat their communities as additional media channels." What is more, many of the media agencies argued a gap existing in the mindset of companies, which prevents companies from seeing and benefiting from the full potential of their communities.

The weak facilitation in brand communities results from the overall position of marketing, according to the media agencies. Nowadays, customers are mainly treated through process perspectives, although the approach should rather be changed to customership perspectives. As stated by a CEO from a media agency (M): "The lack of marketing in the eyes of directors impacts the overall facilitation in brand communities." Although brand communities are not necessarily formed around online-based platforms, the definitions of brand community and social media-based platforms are commonly mixed by the companies. Hence, it can be argued that the level of digitalization of companies' business operations correlates with the selected brand community approach. As Carlson et al. (2008) argued in their study, consumers may perceive a sense of community with or without being in social touch with other community members. Hence, brand communities do not necessarily need to be formed around any technical platforms, but rather to be imagined by the community members.

In addition to brand community strategies, companies with international brands were facing challenges in balancing between local and global community strategies. As stated by the business manager from G: "Facilitation of our communities is decentralized for each local market. However, despite localization, by moving to centralization, a common global brand could be integrated." In the study of Arnone et al. (2010), three diverging strategies were identified, which rely on two criteria: the geographical extent

of the community and the degree of centralization of the implementation. These strategies were independent local communities, coordinated local communities and single global communities (Arnone et al., 2010). According to the interviews, companies were mainly using the strategies of single global community and independent local community. In the strategy of independent local community all communities are initiated by each national subsidiary, whereas in the strategy of single global community all customers are gathered around one common community without any content or language adaption regarding local specificities (Arnone et al., 2010). However, although some companies were facilitating their communities according to a local community strategy, many of the marketing managers were reconsidering shifting into a strategy of local coordinated communities, in which the aim is to gather consumers from different markets and to foster the creation of a unique identity. This would help companies integrate a common global brand while recognizing the most critical specificities of each local market.

Companies without community approaches stated their members have true interests in specific topics behind their brands (e.g. sustainable use of natural resources, gardening, or local design). Similarly to them, designers of media agencies stated community members must be truly interested in certain topics behind the brands, or otherwise companies would not be able to create successful communities. The brand must be tied strongly to a certain topic, which interests all community members. Moreover, as stated by the designer from L, brands must be strong enough to connect customers under a certain topic. According to this argument, weaker brands will be not able to commit members, but rather lose them to the competing brands.

#### 6.6.1 Reaching community members through brand community channels

Community channels were mainly selected on the basis of customers' locations in all of the companies. These channels were used as instruments for companies to contact their customers and, hence, were merely selected on the basis of how many customer they reached. However, according to the opinions of media agencies, all the decisions made in brand communities should rely either on the chosen community strategy or other business aims, which should accurate when selecting community channels as well. In addition, channels should be selected on the basis of customers' locations. As people spend more than one third of their waking hours consuming social media, the onlinebased platforms, especially social media-based platforms, were the most used channels in all of the companies. For instance, Facebook alone has over one billion active daily users and increases the number every day (Facebook, 2013). Following this, using social media-based platforms as brand community channels is well justifiable. Interestingly, the definitions of brand community and social media-based platforms were mixed up in most of the companies. As argued by Laroche et al. (2012), social media and brand community are concepts that should be explored together, as social media is a combination of technologies and practices which allow people to share their knowledge and opinions. This has revolutionized previously acknowledged habits and practices of consumers, and forced companies to rethink the concept of brand community.

Based on the interviews with companies and media agencies, social media-based platforms are clearly the most used channels currently in brand communities. As stated by the brand manager from E: "Facebook is the place to be." However, according to the statements of a digital business agency, the popularity of face-to-face events is strongly increasing, especially among the professional brand community members. In fact, the question of how to better join these offline and online community channels did occupy the minds of media and digital business agencies. Perhaps by using the idea of Carlson et al. (2008) about perceiving a sense of community with or without being in social touch with other community members and tying the brand to a topic that which interests all community members a better link could be built between offline and online community channels.

The idea of viewing communities through their members, rather than through their channels was promoted by media agencies. Regardless of each channel forming their

own circle, community members can belong to as many circles as they want. In fact, according to the media agencies, particularly these circles together form the community. This ideology supports the idea of communities being more than just channels, and brand communities consisting of both social and psychological relationships between community members (Carlson et al., 2008). In fact, according to the designer from L, community members are the ones who finally define the characteristics of a brand. Muniz and O'Guinn (2001) argued that although brands and brand communities are mostly created by companies, community members often feel that they know these brands even better than the companies. What is more, brand community members are aware of the fact that there are companies behind the brands, but still feel that the brand belongs to them as much as it belongs to the company (Muniz & O'Guinn, 2001). For this reason, Muniz and O'Guinn (2001) suggested companies to have patience when facilitating, developing, and changing the current image of the brand. However, according to the interviews, companies were not commonly ready to open their brands to be modified and developed together with their community members. In fact, based on the interviews with media agencies, companies should keep their power of decision in order to ensure the quality and cohesion of their brands, but still having patience when facilitating, developing, and changing the current image of the brand.

What was common for all of the categories was most of the community channels being both created and initiated by the companies. According to a strategic planner director of a marketing agency (N), companies are holding control over the channels in order to be better informed about the things happening in communities and keeping some kind of power of decision in these communities. However, such power for companies does not necessarily cause bad actions. In fact, based on the statement by the CEO from M, companies should definitely keep power over the brand community channels in order to ensure the quality and cohesion of their brands. Moreover, according to Noble et al. (2012) it is harder than ever for companies to try to have a consistent and controlled brand message, as brand communities are built by both companies and consumers. Following this, companies should hold their control over the brand community channels.

Companies from each approach admitted following the biggest and best-known consumer-initiated channels to better understand the reactions and behavior of their consumers. In fact, hearing the discussion surrounding the brands is beneficial for companies. As stated by a vice president from a digital business agency (O), consumers are hard to lead from consumer-initiated channels to the sale processes of companies and, hence, consumer-initiated channels are not always worth being followed by the companies. In fact, consumer-initiated channels may even be experienced as competitors by some of the companies. For this reason, consumers are usually encouraged by companies to join channels initiated by companies. This way, companies are able to direct co-creation activities facilitated in their channels nearer to their sale processes. In fact, eventually all activities done in brand communities should lead to increasing the net revenues of companies.

Based on the statements of media agencies, the real brand communities are usually found especially in the channels initiated by consumers. According to the findings of the study of Lee et al. (2001) consumers can easily associate marketers' efforts to build and manage online brand communities and, hence, are less likely to engage in community behavior in company-initiated online brand communities. This means that companies cannot just provide a platform for co-creation, but they must to learn to be both competitive and collaborative (Day, 1994), and learn to manage their network relationships (Vargo & Lusch, 2004). Following this, companies cannot only hold control over the community channels, but they must to be in real interaction with their community members through different value co-creation practices.

## 6.6.2 Involving brand community members through value co-creation

Digitalization and technological advantages have dramatically changed the consumers' behavior in the past few decades. As stated by the vice president from O: "Knowing your customers and their behavior is essential in order to use the right kinds of cocreation practices with them." According to First and Dholakia (2006), consumers

create value and symbolic meanings via their consumption habits and practices, which means that consumers no longer exist at the end of the value chain, but rather they occupy the center of the processes of value creation (Pongsakornrungsilp & Schroeder, 2011). Interaction, dialogue, involvement, and consumption between companies and consumers all play essential roles in the value co-creation processes (Etgar, 2008; Prahalad & Ramaswamy, 2004; Vargo & Lusch, 2004). According to a strategic planner director from N, boosting interaction is one of the most important things to do in brand communities in order to create value. Community members must be allowed to express themselves and be proactive.

Value co-creation practices facilitated in brand communities varied between the approaches. While some of the communities were facilitated only with few co-creation practices, some of the communities were facilitated with several kinds of value cocreation practices. According to the media agencies, brand communities are mainly used to collect customers' opinions, to share brand-related information and different types of enquiries, and to activate community members to create conversations in community channels. What is more, other commonly used methods are new product development and test group invocation. In fact, these practices are used with an aim to increase customers' encounters with the brand, which finally could lead to a socially embedded loyalty, brand commitment and positive WOM. Interestingly, not any specific activation method, but rather generally activating community members was highlighted by all of the media agencies. Following this, it seems that facilitating continuous dialogue with community members is more important than using certain kinds of value co-creation practices. Customers should definitely be activated more, because "consumers create value through their participation in brand communities and, specifically, in the enactment of practices" (Schau et al., 2009, pp. 39-40).

According to the designer from L, content co-creation with community members is the most valuable co-creation method of all. As stated by him: "Content without dialogue has no value anymore whatsoever." The importance of building long term conversations, rather than investing on short campaigns was highlighted by all the

media agencies. As mentioned by the CEO from M: "Communication should always be on." Prahalad and Ramaswamy (2000) suggest that customers are the party of the relationship who are controlling the dialogue. Hence, companies should not try to control it by force. On the contrary, companies should rather facilitate the co-creation processes without affecting the actual dialogue. In addition, both content and brand must be linked to current topics in order for them to be a meaningful part of people's everyday lives. A strategic planner director from N stated true conversations have been able to be created by developing the transparency of companies' activities and being truly honest with all community members.

As mentioned by the media agencies, companies must be careful in not imposing too much commercialism on their communities, as it may destroy the true dialogue and authenticity of a community. On the other hand, it must be realized that communities are used by companies for commercial purposes. As stated by the CEO from M: "If the customer is not paying for the service, the customer is the service." In fact, the exploitation of community members can be connected to the term "double exploitation" presented by Cova and Dali (2009). In double exploitation consumers are treated by companies as unpaid workers, and, in spite of that, consumers are willing to pay for the service despite having transferred value to it (Cova & Dali, 2009). Media agencies were not seeing double exploitation as a threat to community members, but rather as a possibility to have an impact for the community related issues. This argument relates with the argument of Pongsakornrungsilp and Schroeder (2011) that double exploitation is not necessarily a threat to consumers as it may enable them to gain power against the real brand owners.

Communities were also sometimes used as customer service channels in some of the interviewed companies. As stated by the brand manager from G: "If customer service is done through social media, it reaches not only the person you are dealing with, but also the other community members, who are able to follow your conversations." In fact, brand communities were originally introduced as a solution for serving customers, as maintaining one-to-one relationships with customers were not efficient and easy to

manage (Laroche et al., 2012). According to the designer from L, brands should become more humanlike by possessing clear characteristics. By doing this community members could have a closer relationship with the brand, and customer service could be better implemented to brand communities.

In addition to other value co-creation practices, polls and competitions were mentioned as good activation methods by both companies and media agencies. As stated by the CEO from M: "Although competitions organized in communities are laughed at by many, tens of thousands of people are participating in them." However, most of the media agencies saw new activation methods, such as product development, replacing competitions and polls as new methods of activating customers. It seems that while the ways of using social media and brand communities are changing, the ways of activating customers are changing as well.

Maximizing customer involvement in order to better customize services to customers' needs was the goal of some of the interviewed companies. As argued by Vargo and Lusch (2004), companies must be customer-oriented, which means collaborating with and learning from customers, and being adaptive to customers' varied needs. In fact, as argued by most of the media agencies, the customers' voices must be heard. By following the conversations created in communities, companies may learn a lot about their customers' behavior. In fact, based on the observation of media agencies, the smaller the company, the better it takes into account the opinions of its customers. However, nowadays most of the companies were rather pushing than pulling information through their communities. The study of Lee et al. (2011) recommends managers to encourage consumers to voluntarily share and exchange their ideas rather than imposing their own ideas and marketing information, such as sales coupons. Following this, the customers' opinions must be heard, but, on the other hand, they must be analyzed critically. As mentioned in an interview with the marketing director from J: "The ideas received from the active customers only represent the opinions of the tip of the iceberg of customers and hence must be modified before actually being employed." Based on this and interviews with media agencies, these opinions shared in brand

communities represent only the active members of the community, which is around 5 percent of all of the community members. These 5 percent are defined as a marketers' dream group presented by Noble et al. (2012, p. 477), which consist of "lead users, market mavens, super users, brand champions, and other individuals who share a deep connection to the brand and frequently share that passion with others."

When discussing possible rewarding methods of active community members, the viewpoints differ between the categories. While some companies were not willing to reward their community members at all, other companies seemed to be more willing to reward their members for their active behavior. According to the study of Belk (2007) and Giesler (2006), gift giving is an important component in motivating consumers to co-create value with companies, which has been found in many different contexts. In fact, all media agencies agreed on rewarding community members for their active behavior. As stated by the CEO from M: "It would be stupid not to encourage community members to be active through rewards." Following this, companies should seriously consider the role of gift giving in their communities, as the power of gifting has been found in many different contexts.

According to the interviews, acknowledging active members in public and giving them opportunities to impact the final products and services are the best ways of rewarding them. Baumeister & Leary (1995) argued that the consumers' need for affiliations corresponds to people's desire to receive social rewards for their relationships. Four types of relevant rewards are suggested: positive stimulation, attention, social comparison, and emotional support (Hill, 1987). As argued by media agencies, consumers want to be noticed, and they should be rewarded with respect, rather than with expensive and concrete product gifts. Hence, community members should be rewarded especially by acknowledging them in public. In addition, it would be good for companies to observe whatever the community would do differently without rewarding its active members.

## 6.6.3 Allocating resources for brand communities

Responsibilities for moderating and updating brand communities are mostly carried out by marketing departments based on the interviews with media agencies. As stated by the CEO from M, resource allocation should be based on the chosen strategy or approach, as well as on the other business aims set by the company. As stated by the designer from L: "All decisions should result from the original purpose of the brand community." However, in some cases the responsibility for moderating communities was also divided to the departments of sales and customer service, but was still strongly led by the department of marketing. Following this, the responsibility for moderating communities is strongly led by the department of marketing despite of the strategy or approach selected by a company.

One of the most important considerations companies must have when deciding whether to facilitate a brand community or not, is to consider whether to allocate enough resources for the project. The amount of resources allocated to brand communities differed between the chosen brand community approaches. While in some of the companies responsibilities for updating communities were carried by one employee only, in other companies communities were followed by nearly all employees. However, in most of the companies, the responsibility for updating the community was carried by one employee only, and this responsibility was managed, while working with other marketing-related tasks. According to the interviews, a lack of resources was the main reason for communities not being as they had originally been planned. As argued by the CEO from M: "Resources are poorly allocated to brand communities, since costs are easiest to cut from there." In fact, based on the observations of media agencies, resources were not allocated at the desired level since the commonly proven indicators in measuring the outcomes of brand communities were lacking. Following this, it seems that companies are currently choosing to trust previous well-known marketing methods, although they will not generate as much profit as new possibilities with brand communities would.

With regard to the interviews with companies, a moderator was generally seen as a kind of chairman, who rather activates the members than actually divides the floor. According to the companies, the key skill of a moderator is to balance between pleasing and needling brand community members in order to evoke enough resistance and support, and create great conversations. The strategic planner director from N argued that the moderator must be acquainted with the needs of the community and, hence, the responsibility for updating brand communities cannot be delegated to young assistants only. The study of Zhou et al. (2012) supports this argument by stating that companies should not only moderate conversations and provide material contribution, for instance a platform, but also provide care and attention to the brand community. What is more, the role and importance of a moderator varies between the companies depending on customers' behavior. For this reason, there is more than one right way of moderating communities. On the other hand, as mentioned by the CEO from M: "The best is, if the members moderate these dialogues by themselves."

The question of who should moderate the community drew a wedge between the interviewed companies. Some of the companies were afraid of destroying the tone of voice by outsourcing the facilitation to an external media agency. According to the media agencies, more than two thirds of Finnish large enterprises have outsourced their facilitation to external agencies, but there is no right answer if outsourcing generates better results or not. However, as argued by the CEO from M, companies with named community managers have, on average, succeeded better than those without them. Either way, eventually all the decisions made in communities should result from the chosen strategy.

#### 6.6.4 Gaining benefits from brand communities

Results gained from the communities were somewhat in line with the resources allocated to them. While the results gained from a few communities were somewhat undistinguished, results gained from the other brand communities were rather related to

customer loyalty, gained experiences and new product innovations. According to the media agencies, companies have received results from communities mainly by learning about their customers' behavior, receiving new channels to be in contact with their customers, gaining financial benefits and, moreover, gaining new content and product ideas from their customers. Following these, multiple different benefits are gained from brand communities. The strategic planning director from N stated that communities not only give real time feedback from the customers, but also give experience in how to deal with brand communities. In fact, these benefits were also mentioned by many of the interviewed companies.

The importance of brand communities has been explained by various researchers (McAlexander et al., 2002; Muniz & Schau, 2005), through the advantages of gaining loyal customers, maximizing the possibilities to collaborate with them, and influencing their actions. As argued by the CEO from M: "Communities are incomparable sources for gaining customer understanding." In fact, consumers co-create value especially through their consumption practices and, hence, understanding the behavior of consumers in brand communities is essential (Pongsakornrungsilp & Schroeder, 2011). Based on the opinions of media agencies, community members are activated in order to commit community members, and maintain vital customer relationships. In fact, the gained benefits from brand communities may impact every step of the way to business revenues. The vice president from O argued those companies have succeeded, who truly listen to their customers. According to her observations, chosen approach, resource allocation, and gained results all correlate with one another. It must be realized that eventually communities were created by companies for commercial purposes only. Following this, customer understanding is the most valuable benefit that can be gained from brand communities, as it allows building and maintaining vital customer relationships.

Regarding the findings from the interviews, the four brand community approaches had no effect on companies' indicator choices, as they varied wildly over the category boundaries. According to the media agencies, companies were previously interested in

increasing the number of community members, but currently they are rather interested on the level of discussion caused. Following this, companies are continuously learning more of the true nature of brand communities. Like the brand manager from E stated, and the vice president from O also argued, communities work as indicators of whether the companies are doing things right or not. According to the interviews, some companies were really interested in measuring the correlation between brand communities and financial benefits. In fact, based on the CEO from M, this correlation can fully be measured. Other named indicators were calculating both the numbers of new ideas and active community members. However, based on the observations gained from the interviews of media agencies, all the indicators selected to measure the outcomes of brand communities should be based on the chosen approach of the company.

The complexity of measuring and evidencing the benefits gained from brand communities was highlighted by some media agencies. As argued by the strategic planner director from N: "Marketers should be able to offer explicit numbers and explanations of why to invest on brand communities. Otherwise, marketing resources are allocated to more traditional marketing solutions." On the other hand, all the media agencies admitted companies being generally well aware of the possibilities regarding brand communities. In fact, as a next step, social segmentations and analyses of them were being forecasted by most of the media agencies. As stated by the CEO from M: "In the future, the possible benefits gained through social segmentation will improve the position of brand communities in the eyes of marketers." Following this, the use of brand communities is increasing and developing continuously.

## 7. Conclusion

In this chapter, the conclusion of this study is presented. First, the results are summarized and then, the theoretical contributions and managerial implications are given. Finally, the limitations of this study are discussed and the themes for future research are presented.

The aim of this research was to shed light on the roles of brand communities and on the value co-creation processes they involve in a business to consumer context. The main objective of this research was to answer the question "How do companies facilitate value co-creation in brand communities?" The findings from the literature review suggested that companies have to consider several aspects when facilitating their brand communities. These factors consist of types of community channels, ways of affecting members' participation, types of value co-creation practices used, levels of communities' localization and possible benefits gained from brand communities.

The main findings from the empirical part of this study show that most of the companies facilitate their brand communities according to one of three different approaches, which are media, customer-oriented and core business approaches. These four approaches determine companies' overall attitudes towards brand communities, as well as what kind of objectives can be met through brand communities, what kinds of resources are needed, and what kinds of value co-creation activities are used. These approaches are a notable finding, as they enable both researchers and marketers to gain a deeper understanding of the roles played by brand communities. However, in some companies brand communities were not linked to any bigger strategies, or were treated merely as additional media channels, which prevented companies from seeing and benefiting the full potential of their communities. In fact, at best, all decisions made in brand communities were initiated based on both the original purpose of the community and the selected business approach. What is more, the benefits gained from the brand communities seemed to be somewhat in line with the resources allocated to them.

According to the findings, it seems that the chosen approaches have an effect on the selected value co-creation practices, allocated resources and gained benefits.

The other findings of this research included how community channels were chosen, what levels of localization were used, what kinds of value co-creation practices were used, and what kinds of resources value co-creation facilitation involves. In all of the companies, community channels were used as instruments to contact customers and, hence, were mainly selected on the basis of customers' locations. In addition, facilitating continuous dialogue with community members seemed to be more important than actually using certain kinds of value co-creation practices. What is more, challenges were faced especially with issues related to resource allocation, as commonly well-proved performance metrics were lacking.

All in all, the findings from this research suggest defining the possibilities to maintain and facilitate a brand community before actually establishing one. Establishing brand communities without longer-term plans may rather cause negative than positive effects for companies. In addition, the general weak facilitation in brand communities seemed to result all the way from the overall position of marketing. However, the position of brand communities in companies has generally been fostered during the past few years and has moved into a more central position in companies' business strategies. In total, the results of this study will enable researchers to gain a deeper understanding of the particular phenomenon and help managers who are interested in using brand communities as part of their business strategies learn on which things to and on which things not to focus when facilitating value co-creation in brand communities.

## 7.1 Theoretical contributions

Building on the works of Muniz and O'Quinn (2001) and other researchers, this study contributes to brand community literature by providing more insight especially into those topics that have not been covered earlier by previous researchers. These topics include the intensions of companies behind facilitating value co-creation in brand

communities, objectives met through brand communities, number of allocated resources, and value co-creation practices used in brand communities. In this study, two main theoretical contributions were made.

First, a new theoretical scheme was formed around five conceptual categories. These five categories, which are based on the coding processes of grounded theory, are a chosen approach, channels, value co-creation, resource allocation, and gained benefits. Because the category "chosen approach" was able to explain the changes in the other categories (except in the category "channels"), it was chosen as the core category, which integrates all the other categories to form a larger theoretical scheme. Based on the findings, the three approach dimensions seemed to have no impact on community channels choices, whereas they had an impact on the selection of used value co-creation practices, the amount of resources allocated, and the benefits gained from the communities.

Second, based on the findings a fourfold table presenting the relationship between the strategic importance of brand communities and benefits gained from brand communities was created. The four categories of the fourfold table oil well, diamond, untapped mine, and missed bullet symbolize the different combinations of strategic importance of brand communities and benefits gained from brand communities. The formed theoretical scheme and created fourfold table will enable both researchers and marketers to gain a deeper understanding of brand communities.

This study also included theoretical insight into the roles of a moderator and different indicators used to measure the outcomes of brand communities. With regard to the interviews with companies, a moderator was generally seen as a kind of chairman, who rather activates the members than actually divides the floor. Community indicators, on the other hand, were mainly used depending on the company and its field of business, as commonly well-proved performance metrics were lacking. In total, all the findings of this study are in line with the findings found from the previous studies.

## 7.2 Managerial implications

This research proposes the benefits gained from brand communities as being somewhat in line with the strategic importance of the communities. Therefore, this research recommends companies to define the roles of their brand communities fully on a strategic level, and then basing all the decisions made in brand communities on that certain strategy. The brand in question should be tied to a certain topic, which interests all the members in order to assure and form a strong community. What is more, the possibilities to maintain and facilitate brand communities should be clearly defined before actually establishing one, as establishing communities without longer-term plans may rather cause negative than positive impacts.

The channels used in brand communities should result from both the original purpose of the community and its customers' locations. Although it may pay for companies to keep power over their community channels, companies need to consider whether to follow the biggest and best-known consumer-initiated channels to better understand the reactions and behavior of their consumers. In fact, as argued by media agencies, the real brand communities are usually shown in the channels initiated by consumers, not by companies.

In respect of facilitating co-creation in brand communities, companies should be aware of their customers' behavior in order to use the right types of co-creation practices with them. In addition, as consumers co-create value especially through their consumption practices, their behavior should be tried to be understood. In fact, communities are peerless sources for gaining this kind of customer understanding. However, as raised by the interviewees, facilitating continuous dialogue with community members seems to be more important than using certain kinds of value co-creation practices. Still, companies should rather try to facilitate co-creation without affecting the actual dialogue, as it should rather be controlled by the community members themselves. In addition, customers should definitely be activated more, because "consumers create value through their participation in brand communities and, specifically, in the enactment of

practices" (Schau et al., 2009, pp. 39-40). Hence, managers should boost the interaction among their community members and encourage them to voluntarily share and exchange their ideas rather than imposing their own ideas and marketing information. Companies must also consider the role of gift giving in their communities, as gifts seem to be an important component in motivating consumers to co-create value with companies (Belk, 2007; Giesler, 2006).

One of the most important considerations companies must have when deciding whether to facilitate a brand community or not, is to consider whether to allocate enough resources for the project. Based on the findings, companies with named community managers have, on average, succeeded better than those companies without one. In addition, the moderator must be acquainted with the needs of the community members and, hence, the responsibility for updating brand communities cannot be delegated for young assistants only. Moreover, the actions done in communities must be measured and analyzed by companies, or otherwise they might be seen as a sunk cost without any actual effect on business results. This naturally requires brand communities being linked to some larger business strategies, on which the selected indicators of measuring the outcomes of brand communities are based.

### 7.3 Limitations and further research

Several study limitations of this research suggest directions for future research. In general, the results of this study will not be fully generalizable as the studied phenomenon and the analyzing tool may have caused some distortion in the received results. First, the generalizability or transferability of this study should be treated with caution because of the limited amount of empirical data. The idea of this study was to interview already well-known brands, which may have caused some distortion in the received results with an overly positive image of the current phenomenon. In addition, personal characteristics of the interviewees and their willingness to share specific information may have had an impact on the empirical results. Hence, further research

should consider more balanced samples and brand communities with different levels of brand strengths.

Second, using grounded theory as a data analyzing tool may have caused some distortion in the received results, because the theory relies so heavily on the skills of the researcher to connect and link the words of the interviewees correctly. What is more, since grounded theory commits to realism, it easily blinds itself from its possible limitations (Eriksson & Kovalainen, 2008). Therefore, future research should focus on the same research topic while using a different data analyzing method in order to confirm the results gained from this study.

Third, the one-way focus of this study has focused on the impacts of different approaches on brand community participation, but neglected the reverse influence. Hence, it would be interesting to study the impacts of the participation of brand community members to the approaches selected by companies. Finally, as the purpose of this research was to study the topic from the viewpoint of a business to consumer (B2C) environment, it would be interesting to extend future research to cover the aspect of a business to business (B2B) context.

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# Appendices

# Appendix 1. List of interviewed companies and media agencies

Company	Respondent	Date of interview
Army gear store (A)	CEO	12 November 2012
Finnish design company (B)	COO	30 November 2012
Metal and consumer brands company (C)	Business manager	7 November 2012
Milk production company (D)	Marketing planner	4 December 2012
Multinational consumer goods company (E)	Brand manager	26 November 2012
Commercial television station (F)	Online producer	29 November 2012
Commercial television station (F)	Executive producer	28 November 2012
International home products company (G)	Marketing manager	29 November 2012
Entertainment company (H)	CMO	15 November 2012
Milk production company (I)	Brand manager	29 November 2012
Broadcast media company (J)	Marketing director	19 November 2012
Media company (K)	Editor	8 January 2013
Media company (K)	Marketing director	12 December 2012
Media agnostic marketing communications agency (L)	Designer	23 November 2012
Media agency (M)	CEO	9 January 2012
Marketing agency (N)	Strategic planner	3 December 2012
E-business consultancy agency (O)	Vice president	26 November 2012