



BOOK REVIEW

The Future of Competition Co-Creating Unique Value with Customers

Harvard Business School Press

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Both professors at Michigan Business School, Prahalad and Ramaswamy may have come up with a very prescient title for their book on co-creation. The book was published in 2004 but the authors actually introduced the concept four years earlier in their Harvard Business Review article 'Co-opting customer competence'². They are both very eminent in different fields. Ramaswamy is an expert on innovation, IT, online business and communities as well as customer management. Prahalad specialises in strategy, especially future trends and strategies and in 2009 he was named the world's most influential business thinker on The Thinkers 50 list, published by The Times.

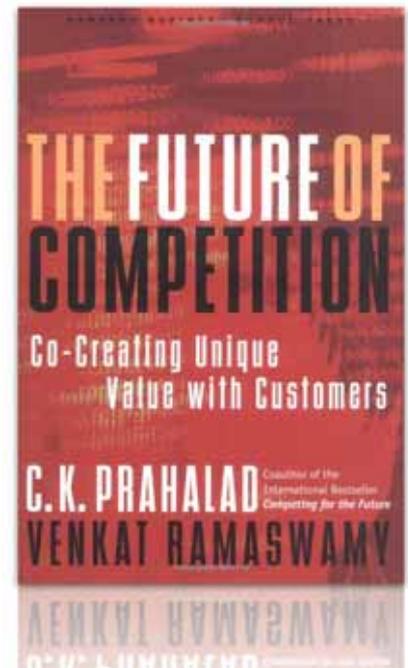
Fundamentally, the authors argue that 'value' will be increasingly co-created by the firm and the customer, rather than being created entirely inside the firm. But what does this mean?

Some people simplistically think that co-creation is just a new buzzword for delivering a great customer experience. Others say it's about involving customers. This is closer but still misses the mark. The key word is choice, the authors main-

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taining that consumers seek freedom of choice to interact with the firm through a range of experiences. But critically, these choices need to be customer- not supplier-led because only customers will define the choices in a manner that reflects their view of value. A customer experience that is co-created with customers (shaped more by the customer in fact than the supplier) will guarantee that customers get exactly what they want, that the supplier really does 'do best what matters most to customers' and consequently that customers will be truly loyal. Then they will engage in all of Harvard's key loyalty behaviours – repeat business, related sales and referrals, thus increasing the supplier's profitability.

So the key word is choice and the key outcome is meeting customers' requirements, not 'delivering great customer experiences'. This can result in some counter-intuitive win-win consequences. For example, some suppliers have successfully dumped some of their work onto customers, be it filling your own tank with petrol, getting cash yourself out of the ATM or laboriously filling in order forms, delivery and credit card details for internet shopping. The suppliers costs are drastically reduced, there is little or no opportunity for building a relationship, but the customers love it because it gives them choice, flexibility and time saving benefits. Of course, if you try and pass costs and labour onto customers in ways they don't see as beneficial to them, that's a different matter. Weighing and pricing your own fruit and vegetables in supermarkets is an example of one such ill-conceived initiative that didn't succeed.



The authors are very definite about what co-creation is not. It is not about outsourcing activities to customers, it is not about supplier-led mass-customisation and it is not about scripting or staging experiences or events. It is about evolving the organisation's offering and tailoring the way customers interact with it based on what suits customers. The more this can be done at the level of the individual customer rather than customers in the aggregate, the closer you will be to co-creation.

References:

1. Prahalad and Ramaswamy (2004) "The future of competition: Co-creating unique value with customers", Harvard Business School Press, Boston.
2. Prahalad and Ramaswamy (2000) 'Co-opting Customer Competence' Harvard Business Review January

