

Consumerism as a Source for Innovation and Product Development

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Summary:

Consumerism is a term that has undergone variety of changes in its meanings. There are a lot of overlapping and contradictions in its usage and interaction with innovation. The aim of the article is to explore consumerism as a source of innovation by doing a literature review. The diversity of meanings as well as the common features and the differences in their manifestation in the various parts of the world is the basis for exploring consumerism as a reason for innovation and product development from three major aspects: (i) consumerism as a driver of economic growth; (ii) consumerism as protection of consumer rights; and (iii) consumerism as customers' empowerment. The diverse concepts of consumerism determine a variety of effects on innovation and new product development in the companies. They can be summarized as a constant search for co-created sustainable and shared value innovations.

Key words: Consumerism, Crowdsourcing, Frugal Innovation, New Product Development, Social Innovation

JEL Classification: M 110

1. Background

Consumerism is a term that has a variety of meanings. The article explores them by the research method of literature review and summary of the major interpretations of the term "consumerism" through the years and its impact on innovation.

Swagler (1994) traces down the first usage of the word in 1944 describing the cooperative movement in the USA in the 1930s. The term started to be used more often after the introduction of the Consumer Bill of Rights by President John F. Kennedy in 1962. The Bill stated that consumers' rights should be safe, informed, to choose, and should be heard. The following American administrations added the rights of consumers to a remedy, to consumer education and service. Consumerism was understood mainly as consumer rights' protection. The focus of the research was primarily on the needs to protect consumer interests, the quality of the products, advertising and sales promotion decency, the activities of consumer movements and the impact of government and companies on consumer safety (Magnuson, 1972; Kotler, 1972; Cravens and Hills, 1973; Jones and Gardner, 1976; Mayer, 1989; Swagler, 1994). Though the research concentrated

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on the triangle consumers – government - business, there were also researchers like Day and Aaker (1970) that pointed out that the term gradually came to cover the concerns about the changes in the economic and physical environment, and that it will become "a reflection of many social problems that are certain to persist". The impact of consumerism on society in general and on business strategies continues to be an important part of the modern research on consumerism.

Consumerism is associated also with the excessive possession of goods though society believed in general that the higher rate of consumption is better for the economy as a whole and for the individual. Gabriel and Yannis (2008) argue that consumerism is a preoccupation with consumption standards and that choice was built on mass production. Sociological and psychological research explored consumerism as a way to achieve happiness. The more you have, the happier you are. The consumers' needs and wants for new products and services have a positive impact on the economic growth and stimulate new areas of business. However, it is accompanied with a lot of negative consequences like the exhaustion of natural resources and growing debt.

New features of consumerism develop with the growing power of the customers in contemporary economy. Sharing becomes a major cultural shift in modern society. New technologies enable consumers to gain more control over the company business by participating in and sharing information (Schiffman, Kanuk and Wisenblit, 2010). The consumers become marketers (Mathieu, 2013). They are not just eager to buy the new products and services but to experience the process

from their co-creation to launch. The new technologies and globalization provide the opportunities for the customers' immersion in the innovation process.

The study of consumerism as a source of innovation and new product development requires also a definition of the latter terms. Their usage through the years has been more consistent. Most of the innovation definitions are based on Schumpeter's notion of innovation as "creative destruction". Today one of the most popular descriptions of innovation is given by OECD in the Oslo Manual. "An innovation is the implementation of: a new or significantly improved product (good or service), or process, a new marketing method, or a new organizational method in business practices, workplace organization or external relations." (Oslo Manual, 2002, p. 47)

Innovations are classified on the basis of the criteria of novelty for the company and the market, impact on consumer behavior, consumers' exposure to the product, etc. (Trott (2011), Tidd and Bessant (2013), Schiffman, Kanuk and Wisenblit (2010). At the company level the ultimate goal of innovation is to improve performance by increasing demand or reducing the cost. At a macroeconomic level Innovation is the engine of economic growth and "industrial technology innovation has led to substantial economic benefits for the innovation company and the innovative country" (Trott, 2011). New technologies embedded in new processes, products, new organizational approaches of business practice and new marketing methods create opportunities for increasing consumption.

Environmental changes, the depletion of natural resources, the aging population, the

needs for new skills and social inclusion as well as the needs for emerging markets and the rising world "middle class" and population "at the bottom of pyramid" enhance the practice and coin new terms like "green", "sustainable", "eco", "environmental", "social", "paradigm", "frugal" , "reverse" together with "disruptive", "lead-user" and "open " innovation.

New product development (NPD) is the process from the generation of an idea for a new product to its successful commercialization. The new product development process has been integrated in the modern marketing concepts of how companies identify and perform their social responsibilities. Creating new products/services that satisfy long-term customer needs better and spending less on promotion has been a major aspect of the enlightened, societal and marketing 3.0 concepts (Kotler, 1972; 2011).

2. Consumerism concepts and innovation

2.1. Consumerism as a Driver of Economic Growth

Consumerism puts consumption at the very heart of modern economy. The general assumption is that the more we consume the better off society will be. The consumers' demand for new products is an engine of economic growth. Consumers' needs and desire for new products and competition shortens the product-life cycle and serves as a prerequisite for creating better products and services. Desire for novelty is an essential characteristic of human nature. Graves (2013) states that "we wouldn't be the extraordinarily creative, progressive, and successful species that

we are if we weren't intrinsically attracted to new things". More consumption is a measure of individual and national success. The investment in R&D and the application of research results lead to breakthrough innovations satisfying customers' needs in new ways and creating new wants. From this perspective consumerism has a positive impact on innovation as a source of economic growth

Sustainable Consumerism and Innovation

Nevertheless the rising consumption of innovative products is often considered as one of the reasons for environmental deterioration. In the last 20 years consumers have been increasingly concerned about sustainability-related issues (Ottman, 2011). Environmental and health concerns increase the demand for different types of products defined as sustainable or green products. As Janssens and Jaeger (2002) describe them these are products and services that minimize the environmental impact of their consumption. Green gradually becomes mainstream.

Changes in the lifestyle of the consumers in the developed markets and raised awareness of environmental issues influence business decisions on a different type of new products and services. Companies started to create new choices for consumers. As Ottman (2011) states, "Choice is the first step to change their behavior". The higher income of the population in the developed economies makes green or sustainable products affordable. Sustainable consumerism requires that innovation "decouples growth from natural capital depletion" (OECD, 2011). Even the present crisis re-enforced by the mega challenges of health, energy,

food, and poverty cannot be overcome in the traditional way of hyper-consumption and requires a re-design and shift to sustainable consumption. (Burgelman, 2009)

Recent research of the UK Department for Business, Innovations and Skills (2013) confirms the growth of sustainable consumerism. The global market for low carbon environmental goods and services is estimated at €4.2 trillion and has shown an annual increase of 3.8% in 2010/11 compared with increases in previous years of 3.7% and 1.75%. Asia accounts for 38% of the global sales, followed by the Americas (29%) and Europe (28%). US accounts for 19.2% of the global total, followed by China (13%), Japan (6%), India (6%) and Germany (4%).

The research among business executives and customers also support the conclusion that consumer demand for sustainable products and services is a primary driver of investment in NPD. One out of three of the developed market consumers surveyed currently consider the environmental impacts of purchases more often than they did three years ago. Thirty-five percent buy locally sourced or made products more often. One in four more often buys or uses things that were previously owned by someone else. Many of the business managers believe that the demand for more sustainable products and services will speed up in five years. Therefore launching new sustainable lines is a priority of future business investments in all the markets (Accenture, 2012).

The results of the Innobarometer (2009) research established that European business sees opportunities for innovation in the coming 3-5 years in four key sectors: increased demand for sustainable or

energy-efficient products and services (32 % of the respondents), new products or services for older consumers (15 %) and education, social or health services (12 %). Social innovation defined as "new products, services and models creating social value and new social relationships or collaborations" (BEPA, 2011, p.11) is expected to be an equally important source of the future growth and well-being of modern society as is technology enhancement.

Impact of Sustainable Consumerism on the Company Innovation Strategy

Many large companies develop sustainable innovation strategies and redefine their business models. Product innovation is accompanied with service innovation to meet the demand for shared value which is due both to new the consumer culture of using goods and the economic crisis. The global leader in car rental business Hertz developed a car-share service Hertz On Demand which contributed substantially to company revenues. PUMA challenges the business community and the consumers with the idea of "leasing the shoes" in the future by changing the design, the loyalty program and the participation of customers in the NPD process (Baker, 2013).

Large companies reported savings due to re-designing their products. IKEA sustainability and profitability plans aim to utilize renewable sources for 100 percent of its energy needs and to considerably increase the sales of sustainable products by 2020. These plans will be implemented while maintaining the strategy of low-cost quality home furnishings. Coca-Cola increases the usage of PlantBottle

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packaging that uses materials up to 30% plants-based. PlantBottle is an example of the company approach to consider the packaging not as waste but as a valuable resource for future use. Currently PlantBottle is used for mineral water, Coca-Cola, Coca-Cola Light and Coca-Cola Zero in the US, Japan, Brazil, Sweden, Denmark and many other countries from different continents. The new bottle was introduced in 2013 for packaging the Bankia mineral water, which is one of the most popular brands in Bulgaria. In the long run the company will use PlantBottle instead of plastic packaging for all its products. (Coca-Cola Company Journey, 2013)

Green products are offered also extensively by the financial services sector. Green banking products as well sustainability in business operations are on the rise in compliance with consumer demands.

However, the demand for green or sustainable products is fluctuating even in the most developed economies. The penetration rate of green products is growing but still limited because customers have to pay more for less and many of them are concerned with price. The criterion for identifying a product as green is insufficient to justify purchase. (Villano, 2011). The reasons for the high prices are the lower productivity of more sustainable products and services, the controlled investment in the face of lower margins, the still emerging capacity or the development of more sustainable products. (Accentuate, 2012)

The conclusion is that the expansion of sustainable consumerism in the developed world is dependent on innovations that will lower the cost of the sustainable products. Process innovation and the introduction

of new technologies that will improve the efficiency of core operations for the production of sustainable products are crucial areas for sustainable consumption. The balance of consumer needs for quality, performance, affordability and convenience with environmental protection and social engagement is likely to increase the sales and satisfy the customers' and the company shareholders' expectations.

Frugal Innovation and Consumerism in the Emerging Markets

In the emerging economies the growing middle class and the increase in disposable incomes have elicited an unparalleled wave of consumerism. The creation of affluent consumer markets eager to improve and expand their lifestyles attracts investors and inspires the development of new products and services for those markets. Though the emerging economies are slowing down their growth in the last years their demand for high-tech, luxurious, healthy new products and services is an important driver of consumerism in the world.

At the same time the existence of multibillion of people at the bottom of the pyramid pose unique problems for the introduction of new products and services. According to Prahalad (2010) the emerging consumer is becoming aware of any products and services and is aspiring to share the benefits. Consumer communities and activities develop fast. However, they still are "mega markets with micro consumers" which defines a different set of needs and wants and consumer behavior (Govindarajan and Trimble, 2012). Frugal or jugaad innovation is the approach developed to satisfy the consumer needs under the conditions of limited resources (Bound and

Thornton, 2012). Companies of different size are providing innovative solutions at a low cost. Often cited examples are: SELCO that provides solar energy at very low prices to over 125,000 households in remote Indian villages; Tata with the cheapest car in the world and the Kenyan M-PESA, a service that enables country citizens to save, spend, and transfer money using their cell phones without having a bank account. South Africa's eWallet is another innovative technology based on mobile technologies and is widely adopted. It was developed and is used by Africans. The Indian company Tata implemented frugal innovation by creating the water purifier Swach (Radjou and Prabhu, 2013; Bound and Thornton, 2012; Krishnan and Jha, 2011).

While frugal innovation was initiated by companies in emerging economies and especially in India, it soon became part of the innovation strategies of the multinational companies from the developed world. For the emerging economies companies like Unilever and P&G offer the affordable sachet format in categories like detergents, shampoos. Philips designed chula ovens in India to decrease the accidents of fire and suffocation. A similar approach has worked well in the cellular telephone service category. Brands like Vodafone have been able to penetrate the Indian market by selling pre-paid cellular phone service vouchers for as low as Rs.10. Reaching mass consumers has been made possible by selling the vouchers through grocery and convenience stores.

Frugal innovation is often disruptive in the sense described by C. Christensen because it transforms a complex and expensive product into an affordable one. It encourages consumerism both in

developed and developing markets taking into consideration resource constraints. Frugal is actually a sustainable innovation.

The growing R&D potential of the emerging markets creates new opportunities for sustainable consumerism in the developed world. It made possible the reverse innovation describing the new direction of innovations – from the emerging to the developed economies. In the 1960s Raymond Vernon developed the international product life-cycle model which described the ideation of innovation in the countries with substantial R&D potential and the gradual transfer of new products production from the developed into the developing economies. In the course of the product life cycle the latter were transforming from importers to exporters.

The increased research capabilities of the emerging markets and the new technologies that made the world connected brought about important changes. Many innovative ideas appear today in the emerging markets and are transferred to the most developed economies. The GE screener, "small-mart concept of Wal-Mart" that has been initially introduced in Central and South America and brought back to the USA market, low-cost open-heart and cataract surgery are typical examples. The needs of sustainable low-cost and high value products and services in the developed markets is a prerequisite for the intensive flow of ideas and the entering of "emerging markets giants" like Lenovo, Haier, Tata and Mahindra. Multinationals that ignore the emerging markets' potential for innovation are under the threat of being left behind (Govindarajan and Trimble, (2012); Ramamurti, (2012).

3. Consumerism as a Protection of Consumer Rights

Protection of consumers from the business and the government practices that infringe their rights is the dominant feature of consumerism in the 1960s and it continues to be important today. Though the research shows that regulations motivate less the companies' investments than consumers' needs and wants, the advance of new domains for business like digital world requires constant improvement of consumer protection.

3.1. Legislation and Innovation

The growing concerns of consumers about sustainable products and services lead to legislative amendments and to new products and services that follow the regulations or have a pre-emptive role. For example the UK is modernizing its consumer protection legislation by introducing a new Consumer Rights Bill. According to the UK Department of Innovations and Skills, currently consumers spend more than 59 million hours a year to resolve goods and services problems. (UK Department of Innovations and Skills, 2013). The new Bill will eliminate the overlapping and will introduce new rights for consumers and businesses. The impact on innovation will be to increase customers' confidence in buying and using new products and services in everyday situations. Businesses will also benefit from the Bill because clearer regulations are going to be introduced about the obligation and they will have to observe them in the NPD process and after the new product launch. The Bill also defines for the first time a consumer protection regime for digital content and thus will contribute to its rapid growth.

In the past 50 years the EU created a complex set of policies for consumer protection. It comprises product safety policy and legislation, consumer law to combat unfair commercial practice, unfair contract terms and misleading advertising, both in domestic and cross-border purchases. The recently adopted Consumer Rights Directive has substantially strengthened consumer rights, in particular by harmonizing a number of rules applicable to online contracts. Despite the high level of consumer protection already achieved in the EU, the new challenges like new developments in technology, unsustainable patterns of consumption or social exclusion require improvement (EC, 2012). The major directions with an impact on innovation and NPD are improving consumer safety and the education of consumers about their rights and sustainable choices.

In the USA a major area of the impact of consumers' rights on NPD is product liability. It has an effect on the innovation mainly through the opportunities for inherent, design and manufacturing defects, and lack of adequate instructions. The misrepresentation of their features, functions and qualities by the sellers has a negative impact on the new products and services diffusion. The specialized legislation impacts also the NPD process at different stages. For example the Consumer Safety Product Commission based on the Consumer Product Safety Act can order product recalls or issue public warnings, and levy high penalties. It also sets standards for products. Recent examples are the standards for the nano-technology enabled consumer products.

China has also changed and adopted new regulations on product liability that

came into effect in 2011. The new regulations provide that when a product is defective but has yet to cause actual damages, a potential injured party has legal rights to ask a defendant to remove obstacles and to eliminate danger. When a product is found to be defective after it is put into circulation, the manufacturer or seller of that product must give timely warnings and recall the defective product; otherwise it will bear tort liabilities. The new laws also enlarge the scope of recall obligations to all products.

According to the legal experts Beconcini, Chen and Liu (2012), product liability already constitutes a serious risk factor for foreign companies because there is going to be a likely surge in product liability litigation which will threaten foreign manufacturers, together with their business organization and partners in China. New products and service development for the Chinese market requires re-evaluation of sales or purchase contracts to ensure that harmless clauses, warranties, guarantees and disclaimers are properly addressed. Since the new laws are likely to increase their liabilities and the likelihood of litigation, foreign entities need to pay special attention to the manufacturing of their products, distribution systems, product recalls litigation and public relations crisis management.

Industry initiatives for self-regulation are another form of voluntary guidelines and rules that aim to increase consumer confidence and to enhance more responsible corporate practices. The UK experience in determining the Guideline Daily Amounts (GDAs) for food developed in 1998 was widely spread in Europe by the large companies that supported the FoodDrinkEurope project for uniform nutrition information on the labels. In Bulgaria the GDA was introduced in 2007

by a joint initiative of six world leading food companies Coca-Cola, DANONE, Kellogg, Kraft Foods, Nestle, PepsiCo, Unilever and Mars with the opportunity for other international and local players to join.

The Sustainable Apparel Coalition is another example of industry self-regulation. It is an industry-wide group of over 100 leading apparel and footwear brands, retailers, suppliers, nonprofits, and NGOs working to reduce the environmental and social impacts of apparel and footwear products throughout the world. The coalition created the Higg Index that measures the environmental performance of apparel products and in the future versions will include footwear. The common approach of the partners to measure apparel and footwear sustainability is expected to identify priorities and opportunities for technological innovation (Sustainable Apparel Coalition, 2012).

Public pressure for consumer protection has an important impact on the new product development and companies have to be active participants in the process in order to make time strategic decisions. The research on public pressure identifies four life cycle phases that define to a large extent the changes in the regulations and their impact on innovations and NPD. Crawford and Di Benedetto (2011) describe the four stages as stirring, trial support, the political arena and regulatory adjustment. All of them require either monitoring (first and second stage) or company involvement (third and fourth stage) in the process so as to be able to redefine the products and services or the whole business on time. For example the teaming of complaining customers and consumer advocacy group is a sign that the politicians will be soon

engaged in the process and the regulations are likely to change in the near future. The expected changes have to be included in the medium-term strategy of the company and scenarios will prompt alternative ways and influence new products and services decisions. The positive outcome of the consumer protection measures for innovation is the increased acceptance of the new products by the customers.

3.2. Consumers' Rights Protection in a Location

The consumers' rights protection of a community living in a particular location influences innovation and new product development. For many large companies obtaining "a license to operate" in a particular territory (Tidd and Bessant (2013) involves a variety of innovations.

Protection of consumer community rights leads to process innovation or the way the product is produced. For example at the beginning of the 1990s P&G and Nestle were under strong pressure to stop buying products from El Salvador. A decade ago Starbucks introduced Coffee and Farmer Equity (C.A.F.E.) Practices, a comprehensive coffee-buying program that ensures coffee quality while promoting social, economic and environmental standards.

Consumers' demand brings Innovation in distribution and financing. A good example is Nokia practice in India and Africa. The company explored rural India with a fleet of blue, Nokia-branded vans. Nokia representatives explained the basics of mobile phones to the clustering people. Similarly, in the African country of Nairobi, Nokia discovered that many poor people buy mobile phones by pooling their cash with friends and neighbors. The company

looked for new ways to encourage this form of self-financing, mobile distribution and regular payment collection. Recently the users in India have had the chance to download applications for money transfers.

Social innovation is another area for community-needs based innovation. In 2012 P&G Children's Safe Drinking Water Program was named as an innovation "beyond inspiration." Phil Souter, a 15-year P&G employee, invented the powder technology which, when mixed with water, removes dirt, cysts and pollutants, while killing bacteria and viruses. The innovation provides a reliable method for providing drinking water.

4. Consumerism and Consumer Empowerment

New technologies contribute to customers' empowerment in innovation and NPD. The changing consumer behavior creates opportunities for NPD. Customers can participate in every decision in the new product development process. A major characteristic of the contemporary markets is the networked customer. Nunes, Yardley and Spelman (2013) describe the networked customers as increasingly "co-operative," placing a strong emphasis on responsible production and consumption. They re-use, recycle or share products that they previously used or owned.

Social media and digital technologies allow the companies to directly engage with customers on their portfolio of products. According to recent research, 30 percent of the developed-market consumers provide more online feedback to companies about their products and services. And 65 percent of the developed-market consumers use the internet more to research products and services (Accentuate, 2012). Thus

social media provide opportunities for the companies to have direct communication and to create platforms that can be used in every stage of the NPD: strategy development, idea generation, product development, testing and commercialization. The level of consumer involvement depends on the product or service characteristics.

The sequential process of new product development has been criticized a lot as an ideal and not very realistic one (Baker, Hart 2007, Cooper, 2011; Crawford, Benedetto, 2010; Trott, 2011). However, the system of phases and activities allows analyzing consumerism impact on them.

4.1 Innovation Strategy Development

The changing consumers and their expectations to buy from companies that are more responsible global players require the development of sustainable innovation strategies. The innovation audit identifies the company's capacity to recognize technology opportunities as well as the consumer behavior trends that will influence the type of products and services needed and the way the customers will buy them.

The major elements of the innovation strategies like objectives, arenas for innovation (markets, products and technologies) and the types of innovation strategy are reconsidered. The sway of consumerism on the innovation strategic decisions depends on the type of the strategy that the companies implement. According to Jaruzelski, Loehr, Holman (2012) Need Seekers like Apple and P&G base their innovation strategies on "superior end-user understanding." They put a lot of efforts in the identification of clearly defined and tacit consumer needs and try to be pioneers of new products. These types of

companies involve consumers as much as possible in the strategy development process and in the long run have a bigger potential for successful business. For example P&G Connect+Develop Innovation Model (C+D) has been implemented for more than a decade. A major goal the company is trying to achieve in the new decade is that C+D triples its contribution to P&G's innovation development by delivering \$3 billion toward the Company's annual sales growth.

Market Readers like Hyndai observe the customers and competition and implement the incremental innovation and the fast follower tactic. Technology Drivers as Google rely primarily on their own research and technological potential for breakthrough and continuous innovations that meet consumers' needs and rely less on the interaction with customers at the strategy development stage.

4.2. Idea Generation

Idea generation is the stage of NPD where consumer involvement is mostly practiced. It is described today with a variety of terms like open innovation, crowdsourcing, co-creation, lead-user innovation, etc. Web 2 technologies allow global reach to customers of many large and small companies. The open innovation model (Cristensen, 2003) has become gradually the model for research and innovation in the 21st century. Its essence is that companies have to combine internal research and innovation efforts with ideas from various external sources and customers are one of the most important.

Crowdsourcing (Sloane, 2010) as contracting out a certain job to a large group of people, allows the companies not only to collect ideas but also to innovate the processes of purchasing and financing. For

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example crowdfunding for charity or micro-lending is a typical process innovation. The "crowdsourcing" term creator Jeff Howe (2009) emphasizes that its usage requires a good understanding of consumers' needs. Crowdsourcing satisfies the needs of creativity, impulsiveness, problem-solving and affiliation. Therefore respecting and motivating the crowd is a necessity for successful innovation. Companies from various industries have created their crowdsourcing platforms for idea generation. For example Heineken uses its crowdsourcing platform IdeasBrewery.com to reach the 'liberated' generation of 60–70 year old consumers who "enjoy more freedom from jobs, children, stress and strive more for quality of life, well-being and self-development". The BMW Group Co-Creation Lab goal is to involve customers in the ideation and evaluation of concepts on tomorrow's automotive world. In 2012 the subsidiary of Boeing Company Jeppesen Sanderson Inc. specialized in the development of navigational solutions for the transport industry involved pilots in the co-creation of Mobile FliteDeck. It is a paperless navigation tool for iPad and the first interactive mobile enroute flight application

A major trend in open innovation and crowdsourcing is sustainability. In 2012 Unilever launched an online system which offers outside experts the chance to work with Unilever on research projects in a number of areas that will promote sustainable living, such as cold-water wash laundry products. The company encourages also the internal entrepreneurship for sustainable manufacturing ideas. The management has set up a Small Actions, Big Difference budget and employees can apply for investment for their ideas which are evaluated on the basis of environmental benefit and financial return. In 2012 over 600 projects were identified.

Lead-user innovation (Hippel, 2005) is another area in which consumers with specific unmet by the manufacturers needs become initiators and creators of innovation. Social media allows the combination of efforts and lead-users become not just individuals with specific needs but communities of otherwise unrelated consumers.

Depending on the type of the business some companies are almost completely "outsourcing" the front end of NPD to the consumer communities. The products are positioned on the market as designed by users. A typical example is Threadless. The practice of using consumers as co-creators poses the question about customers' perceptions of these companies as innovative. Innovating users often serve other consumers as strong opinion leaders. However, Brown et al., 2006 have found that their influence depends very much on the specific characteristics of the product category. When products are complex, such as consumer electronics and high-tech gardening tools, the innovation effect of user design tends to reverse.

What type of consumer should the companies use in idea generation is another aspect of the co-creation process. There are two major approaches – random sampling and more knowledgeable users. Both have advantages and constraints. Integrating qualified lead consumers into the product development team early in the development process can lead to success in the market as the resulting products address directly consumer needs. Schreier, Fuchs and Dahl (2012) have researched the purposive sampling, in which users with a particular profile are specifically sought to ensure participants' familiarity with and knowledge of the

product or product concept field. Their conclusion is that targeting potential participants with a baseline level of knowledge streamlines the process and eliminates some of the less useful inputs that may emerge from a more random sampling method.

The co-creation of innovation involves also another aspect of collaboration – across the value chain and with all business intermediaries since they have the knowledge and skills as well as the understanding of consumers that contributes to innovation. On the other hand, large companies develop special job positions of managers that translate the innovation strategy of the company to the suppliers and distributors. For example Mondelez has introduced the job position of the procurement innovation managers that communicate with new product teams and suppliers in order to leverage the supplier capabilities for company innovations.

4.3. Idea Screening, Concept Development and Testing

At these stages social media provide concept and prototype testing opportunities that are used by companies from various sectors. A typical example of customer involvement in the screening process is Lego Cuusoo. The platform allows the company not only to generate new product ideas but also to involve customers in their assessment. When the idea is supported by 10, 000 customers the company analyzes its technical and market feasibility based on transparent to the public criteria. The customers whose ideas are developed further on receive 1% of the total net sales of the product.

Evaluation of concepts is practiced also in the co-creation labs of companies across automotive, fast moving goods industry, IT sector, etc

4.4. Product Development, Testing and Launch

The empowered customer changes the existing concepts of consumer involvement in the process of innovation diffusion and adoption and the barriers to innovation. Downes and Nunes (2013) argue that in new product development today new products are perfected with a few trial users and then quickly become part of the vast majority consumers. Instead of the five adoption categories described by Everett Rogers at the beginning of the 1960s, today the customers can be divided into few trial users and everyone else. Even the NPD is shortened to three stages "development, deployment, and replacement."

Companies that try to overcome diffusion and adoption barriers in innovation include customers in the overall NDP. A good example is Audi. Füller et al. (2006) describe the company practice to recruit randomly car bloggers and subscribers to its *Product and Technology* newsletter section and potential car buyers who visited the company's website. Audi did not screen participants based on their particular knowledge of the product field. As part of the idea generation and concept stages, these participants are asked for their opinions on infotainment visions. In the design and engineering stages, participants configure their individually desired concepts as virtual prototypes and then evaluate systems. They also evaluate critically the final preproduction prototypes.

Conclusions

Consumerism is a complex social phenomenon. Defined as a driver of economic growth, protection of consumer rights or empowered customers it has a positive impact on the innovation and new product development process. The barriers to satisfy consumers' needs and desires in the old way and the technological enhancement brings new types of innovation and requires a balance of using the internal innovation capacity of the companies and customers' involvement.

The variety of approaches to define consumerism determines the different aspects of researching the interaction between consumerism, innovation and new product development. Consumerism today is influenced by the changing buyer behavior. The networked and increasingly green customer is interested in high value, high quality low cost products and services and is more ready to share the ideas for their creation and the product themselves.

For many customers in the emerging markets and transition economies frugal innovative decisions are the option to benefit from the achievements of contemporary society. Frugality allows new approaches for social innovation. The major implications for the innovation and NPD are that companies will have to continue to search for new business models and co-creation throughout the NPD of sustainable products and services without being able to rely on long-term unchanged models.

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