**Co-creating brand value with Independent Financial Advisers (IFAs):**

**Introducing the spiral model of brand value co-creation**

**Introduction**

The concept of co-creation is inspired by the recognition of the changing role of customers from passive participation into active players. This recognition has led to the idea of involving customers in the various stages of the value creation process. The concept of value co-creation proposes that value is co-created between the company and its stakeholders when stakeholders are able to personalise the experience of interacting with the brand at the level that best suits them (Ramaswamy & Gouillart, 2010a). By bringing a company and its stakeholders together in a meaningful and continuous engagement facilitated by the company, all stakeholders can become involved and share ideas about how value can be created, sustained and expanded. Thus, co-creation is currently viewed as a new and refreshing approach for delivering better value to customers and other stakeholders thus leading to the creation of a strong brand (Hatch & Schultz, 2010; Ind & Coates, 2013; Ind et al., 2012; Ramaswamy & Gouillart, 2010a; Ballantyne & Varey, 2006). As one of the most recent concepts introduced within the branding literature, empirical research and discussion on brand co-creation is still encouraged (Ind & Coates, 2013; Payne et al., 2009).

This study aimed to investigate whether and how the concept of brand value co-creation can be adopted in a relationship between a UK based long-term savings and investments provider and Independent Financial Advisers (IFAs). Ramaswamy and Gouillart’s (2010a) principles of co-creation were used to evaluate the current engagement activities between IFAs and the collaborative company (and other providers) and to propose a more dynamic co-creation process. The uniqueness of the long-term savings and investments industry in the UK is that the majority of its sales to individual customers are generated through Independent Financial Advisers (IFAs) (Datamonitor, 2012; Mintel, 2012). Almost 80 per cent of the collaborative company sales are generated through the IFAs.

Despite their importance, academic studies which investigate how to develop brand leadership in the IFA market are scarce. Most of the financial services branding studies to-date have been established in the context of banking in the end customer market. In addition, the implementation of the Retail Distribution Review (RDR) on 1st January 2013 is likely to increase the complexity of the industry. In fact, it has been indicated that the IFAs has the strongest power in the triadic relationship between providers and customers (Tjandra et al., 2013a). In addition, it was also reported that in order to develop a strong brand equity, the provider must be able to fulfil IFAs’ functional and emotional needs (Tjandra et al., 2012b). Therefore, it was appropriate to investigate whether and how the concept of brand value co-creation can be adopted in developing brand leadership.

**Literature review**

A brand can be defined as *“a cluster of functional and emotional values that enables organizations to make a promise about a unique and welcomed experience”* (de Chernatony et al., 2011, p.31). It has been suggested that financial services brands are generally “not great” (de Chernatony & Cottam, 2006, p.88). This is because most financial services offerings are undifferentiated and competition in the industry is mainly based on price (Howcroft & Durkin, 2003; Paswan et al., 2004). When competition is based on price, the market is more likely to be commoditised thus making it more challenging to create a unique and strong brand. In recent years, co-creation in branding has emerged as a concept that could possibly transform a company’s competitive advantage and help to create a successful brand (Prahalad & Ramaswamy, 2000; Ramaswamy & Gouillart, 2010a; 2010b; Ind et al., 2012). It is suggested that in order to develop a strong brand, brands should be co-created with all relevant stakeholders (Ind et al., 2012; Hatch & Schultz, 2010; Boyle; 2007; Payne et al., 2009; Jones, 2005). Co-creation is “the practice of developing systems, products and services through collaboration with customers, managers, employees and other company stakeholders” (Ramaswamy & Gouillart, 2010a, p.4). The focus of co-creation is a stakeholders’ experience, both their experience of exploring or developing value extension in the engagement platform and productive and meaningful experience when they use the brand (Prahalad & Ramaswamy, 2004). In the past, a brand could be created through advertising and promotion whereas in the current hyper-competitive environment, experience can be the key for differentiating a brand from its competitors. This is because it is recognised that a stakeholders’ perception of a brand evolves through their experience with the brand (Ind et al., 2012). Most of the brand co-creation studies to-date investigate the co-creation practice between companies and their end customers. Furthermore, there has been a call for more work in areas of co-creation, relationships, experience, and branding (Payne et al., 2009). Therefore, this research was an opportunity to integrate these areas of study by critically examining whether and how the concept of brand value co-creation with IFAs could help to develop a strong brand.

Ramaswamy and Gouillart (2010a) state that co-creation activities should follow four main principles: experience mind-set, context of interaction, network of relationships. When adopting co-creation, companies have to make a fundamental shift to go beyond their conventional goods-services mind-set to an experience mind-set (Ramaswamy & Gouillart, 2010a). Experience mind-set means “defining value based on human experiences rather than features and processes, whether downstream or upstream, in the value chain” (Ramaswamy & Gouillart, 2010a, p.5). Thus, the determination of value depends on human experiences. “Interactions are situations where the interacting parties were involved in each other’s practices, and have the opportunities to influence each other” (Grönroos, 2011, p.289). In co-creation, the participants’ involvement is increased because they are not only asked to answer questions, but they are asked to be creative and to help discover ideas (Ind et al., 2012). If one accepts that the role of firms is to facilitate the co-creation process (Ramaswamy & Gouillart, 2010a), then in order to enable value co-creation, companies need to create an engagement platform. The platform which can be online or offline must be characterised by dialogue, accessibility, transparency, and reflexivity (Ramaswamy & Gouillart, 2010a). In the context of co-creation a network of relationships is about “let[ting] different players in the value chain come together-often through a nodal company that provides the leadership and facilitates execution – to create, improve, and deliver new product and service offerings” (Ramaswamy & Gouillart, 2010a, p.96). A business that wants to embrace co-creation needs to enter into a partnership with its customers and other stakeholders and allow them to influence the co-creation process (Ind et al., 2012). As the IFAs are one of the company’s ke stakeholders and hold the strongest power in the relationship (Tjandra, 2013b), this study specifically investigated the possibility of involving IFAs in the co-creation activities.

**Research methods**

A case study research method was employed for this study as it provided the author with a means of investigating a new phenomena which included: “a large range of factors and relationships; no basic laws to determine which factors and relationships are important; and, an opportunity to observe directly the factors and relationships” (Fidel, 1984, p.273). Because of the complexity of the relationship (Yin, 2009; Dubois & Gadde, 1999; Easton, 2010) between the collaborative company, IFAs and customers, a case study method is considered as the most appropriate approach to be adopted in this study. More specifically, a retroduction approach is adopted in this research. “Retroduction involves moving from an original conception of a particular phenomenon to a conception of a different kind of thing (power, mechanism) that could have generated the given phenomenon” (Lawson, 1997, p. 236). Based upon the retroductive approach, this research was divided into two, an exploratory stage and an explanatory stage. The aim of the exploratory research was to gain an understanding about the nature of the long-term savings and investments industry and its offerings and explore the nature of the relationship between the collaborative company and its stakeholders. The sources of data used for the exploratory research were the collaborative company’s market research data aimed at customers and IFAs and six one hour unstructured interviews with the company’s senior managers and employees. The main sources of data used for the explanatory stage were four one hour semi-structured interviews with the collaborative company’s senior managers, nine one hour semi-structured interviews with IFAs, and discussion with customers in the collaborative company’s online community. All of the exploratory and explanatory data were stored and managed using NVivo 9 software and thematic analysis was adopted to analyse the data.

**The spiral model of brand value co-creation**

Despite the effort that the collaborative company (and other providers) have invested in anticipating, fulfilling, and supporting IFAs’ functional and emotional needs, the study found that IFAs were still dissatisfied and felt that many of the providers’ offerings did not suit their needs and business model. This could be because most IFAs were usually only involved at the end of the value chain to test a proposition or to consume the proposed values. Thus, they had little influence on the whole process of value creation and consequently the value proposition. However, the study identified that both the collaborative company and the IFAs recognised the importance of creating value together because “*we are the guys on the ground and we are the guys who know what the customers want and what the customers are looking for. In designing products, I think IFAs should be involved in that” (Wayne, IFA).* Furthermore, *“Post RDR they [IFAs] are looking for a brand that can help them to grow their business” (Brand Manager).* In addition, co-creating with the IFAs could be more effective than co-creating with end customers because *“There is sort of a common language and a common understanding [between providers and IFAs] of the issues. So, business people deal with business people”.*

Based on this evidence, it can be suggested that by involving IFAs in the process of value creation, there is a higher chance that they can add value and tailor the values offered by companies using their own experience and judgement to better suit the needs of their customers. Thus, this can lead to a better alignment of the values sought by IFAs and the value proposition of the collaborative company. As one of the direct users of the collaborative company’s offerings, IFAs are the experts in maximising their experience with these offerings (Chang & Kaasinen, 2011). This expertise combined with their knowledge about the market and the customers make them potential sources for innovation. Furthermore, by participating in the value creation process, IFAs can add culture and affective value to a market offering as well as developing an interpersonal relationship with the brand and ultimately, developing brand loyalty.

Combining the findings and further theoretical development of the principles of co-creation proposed by Ramaswamy and Gouillart’s (2010a), resulted in the development of “a spiral model of brand value co-creation” (Figure 1). The spiral model aims to illustrate the process of how the collaborative company can co-create functional and emotional brand values together with IFAs. In comparison to Ramaswamy and Gouillart’s (2010a) original framework, the spiral model is more structured and dynamic. The main elements of Ramaswamy and Gouillart’s (2010a) co-creation model: experience mind-set, interaction, engagement platform (dialogue, access, reflexivity and transparency), and network relationships are deemed to be relevant in the spiral model. However, the concept of reflexivity in the engagement platform which is overlooked in the original framework is found to be very important in this study. Building on the concept of reflexivity, the concept of prototype (Bødker & Grønbæk, 1990) is also introduced into the spiral model. Furthermore, the study also identified that not every IFA was a viable co-creation participant. Based on the power and interest of IFAs in the potential propositions, IFAs can be classified into four categories: recipient (Segment A), consultant (Segment B), guardian (Segment C), and co-creator (Segment D).

To maximise the effectiveness of co-creation activities, ideally IFAs who are involved in co-creation activities belong to the Co-creator group (Segment D) of the co-creation participants’ power and interest matrix. These IFAs are likely to be lead users and have reached the pinnacle of the IFA-based brand equity pyramid (Tjandra et al., 2013a). Depending on the intended purpose of the co-creation activity, the collaborative company can also involve other stakeholders in its *network of relationships*. Nevertheless, inviting intermediated customers into co-creation activity can be a sensitive subject (Tjandra et al., 2012b), the collaborative company should first develop mutual trust with IFAs and seek their permission before inviting these stakeholders.

Figure 3 The spiral model of brand value co-creation

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Source: original

When entering the co-creation process, IFAs will not only *dynamically interact* with the collaborative company’s representative but also fellow IFAs and other participants in order to exchange ideas and to find solutions. These participants then enter an *online or offline engagement platform*. Co-creation focuses on the IFAs’ *current and future experiences* rather than the improvement of products or services or the company’s own agenda. Thus, when participating in co-creation activities, IFAs would be asked to reflect on their current experiences with the brand and imagine how they would like to experience it in the future. The reflection and imagination of IFAs become valuable sources of *idea development*.

Most of the engagement activities between the provider(s) and the IFAs identified in this study adopted either pure advocacy (i.e. training workshops and sales pitches) or pure enquiry (i.e. market research). Therefore, these activities are not characterised by dialogue, access, transparency, and reflexivity. To maximise the effectiveness of the idea exchange in the co-creation process, the collaborative company would be able to facilitate a dialogue *with balanced inquiry and advocacy*. When participating in co-creation activity, each participant should be treated as an equal partner who has the potential to come up with solutions. Therefore, the collaborative company would need to give the participants *access* to appropriate information and tools that help them to maximise the idea generation process as well as *transparent* information about the risk, options, limitations, or risk-rewards of the value proposition.

The spiral model of brand co-creation emphasises the importance of reflexivity. *Reflexivity* allows the participants to reflect and re-iterate prototypes which are the results of the idea generation and dialogue between the co-creation participants. Only by continuously re-evaluating the prototypes together with the participants can the collaborative company co-create brand functional and emotional values. Co-created brand functional values are represented by the products, services and systems developed in the co-creation activities. Co-created brand emotional values are represented by the participants’ perception towards the company that evolves during the co-creation activities and is embedded in the new brand proposition. Co-creating brand functional and emotional values with IFAs will not only make IFAs more in “sync” with the brand but also keep the brand at its potential level. As the results of co-creation activities are not only intended for the co-creation participants but also other IFAs, the results of co-creation can help the collaborative company to attract other IFAs to adopt the co-created propositions and become more loyal. Thus, it can be concluded that co-creating brand values with IFAs will help the collaborative company to align its brand values with the sought brand values of IFAs and consequently achieve brand leadership.

**Conclusion and managerial implications**

The study offers the co-creation process as a means for the collaborative company to develop an innovative brand which aligns its functional and emotional value propositions with the sought values of IFAs. During the co-creation process, this would allow the collaborative company and IFAs (and other participants) to discuss, deliberate and negotiate the proposed values which could result in the emergence and co-creation of more meaningful and relevant brand values. Therefore, if the collaborative company would like to adopt co-creation in its relationship with IFAs, the spiral model of brand value co-creation could be used as guidance in implementing the process. One of the main challenges in adopting co-creation is to pass over the control and power of the innovation capabilities to IFAs. The collaborative company should acknowledge and treat the participants as equal innovative partners throughout the co-creation process. This means that the company should give access to appropriate information and tools that can help IFAs co-create as well as being as transparent as possible about every aspect of the co-creation activities. More importantly, to maximise the benefits of co-creation, these participants should be involved throughout the co-creation process, not only in the beginning, but also in the middle, and at the end of the process. Treating IFAs as equal innovative partners also means that the collaborative company should be able to facilitate a dialogue with them rather than turning this event into a market research or a “flag-waving” workshop.

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