



When customers get clever: Managerial approaches to dealing with creative consumers

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Abstract Creative consumers (defined as customers who adapt, modify, or transform a proprietary offering) represent an intriguing paradox for business. On one hand, they can signify a black hole for future revenue, with breach of copyright and intellectual property. On the other hand, they represent a gold mine of ideas and business opportunities. Central to business is the need to *create* and *capture* value, and creative consumers demand a shift in the mindsets and business models of how firms accomplish both. Based upon their attitude and action toward customer innovation, we develop a typology of firms' stances toward creative consumers. We then consider the implications of the stances model for corporate strategy and examine a three-step approach to dealing with creative consumers: awareness, analysis, and response.

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1. When customers get clever

What happens when customers get clever? What should a firm do when creative consumers start to modify products, hack code, and adjust services to suit themselves? The following examples illustrate the dilemmas managers face, and the very different strategies firms employ in dealing with the phenomenon:

- Podcasting is the distribution of audio or video files, such as radio programs or music videos,

over the Internet for listening on mobile devices and personal computers. While the idea had been around since the year 2000, podcasting really took off with the 2001 advent of Apple's ubiquitous iPod. Yet, Apple was notoriously slow in capitalizing on the phenomenon, perhaps fearful of the copyright and digital property implications of its devices being used to store and play content. It was not until mid-2005 that Apple began to include podcasting software with its iPod products or make podcasts available on its iTunes website. To many iPod owners (and to fans of podcasting), it seemed that Apple had, at first, discouraged podcasting. At the very least, the company declined to comment on it in the early days of the phenomenon.

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