Opportunism in Co-Production: Implications for Value Co-Creation

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Introduction

Value creation is central to marketing. The traditional formulation of the value creation process rests on two fundamental premises: (1) value is created by the firm; and (2) value is embedded in the products and services of the firm (Lusch and Vargo 2006b; Prahalad and Ramaswamy 2004b). These premises, however, have been challenged with the emergence of service-dominant (S-D) logic, a new dominant logic for marketing thought, that marks a shift away from the traditional formulation of value creation towards one of value co-creation (Vargo and Lusch 2004a). The notion of value co-creation erodes the distinction and separation between the roles of the producer and the consumer. It implies that the consumer determines value and that the firm can only make value propositions to potential customers (Lusch and Vargo 2006b; Vargo and Lusch 2004a, 2006).

S-D logic perspective has received considerable interest and stirred much discussion and further elaboration since its identification (Lusch and Vargo 2006a; Vargo and Lusch 2008b). Our intention in this article is to continue the evolution of this framework and to contribute to the dialog on value co-creation by expanding on two foundational premises of the S-D logic: FP6 (i.e., *the customer is always a co-creator*) and FP8 (i.e., *A service-centered view is inherently customer oriented and relational*).

Central to our understanding of FP6 is the value co-creation construct, which is comprised of two nested concepts, namely co-production and co-creation (Vargo and Lusch 2006a, 2008a). Co-production refers to "participation in the creation of the core offering itself," while co-creation of value represents a higher order concept and captures the idea that "value can only be created with and determined by the user in the consumption process or through use" (p. 284). Therefore, value co-creation occurs with or without co-production. Both these concepts make the consumer is endogenous in terms of his/her own value creation as well as that of the firm. By asserting that the customer is always a co-creator of value, S-D logic also emphasizes the collaborative and relational nature of value creation (i.e., FP8) (Vargo and Lusch 2006a, 2006b, 2008a, 2008b). One of the implications of these premises is that the firm and the consumer have an interdependent relationship and work towards a common mission in the collaborative process of value creation (Vargo 2007; Vargo and Lusch 2008b).

In this paper, we challenge the presumption that the consumer always behaves in a collaborative and/or cooperative manner in his/her endogenous role and we suggest that the interdependency between the firm and consumer makes value co-creation also susceptible to opportunistic behaviors on part of the consumers. Although opportunistic behaviors have been identified as situational factors that may impact the quality of firm consumer interactions in co-production (e.g., Etgar 2008), the focus has largely been on firms' opportunistic orientations. Prahalad and Ramaswamy (2004a, p. 11) allure to the idea that consumers may also engage in opportunistic type of behaviors by suggesting, "the firm and the consumer are both collaborators and competitors – collaborators in co-creating value and competitors for the extraction of economic value." However, to our knowledge, no research in marketing has examined consumer opportunism in co-production.

Given the relational and collaborative orientation of the S-D Logic as postulated by FP8, consumers' opportunistic behaviors have implications for value realized from co-production as determined by beneficiaries in value networks. Firms gain competitive advantage by providing co-production opportunities and engaging consumer in co-production activities (Lusch, Vargo and O'Brien 2007). A direct consequence of opportunism, however, may be a negative impact on the value received by the firm (e.g., revenues, future co-production opportunities). Moreover, as value-creating relationships are part of a broader context, embedded in larger networks (Gummesson 2006), the network participants (e.g., brand community members) may also be indirectly affected. This paper aims to contribute to our understanding of the link and the dynamics between co-production and co-creation, by examining the impact of consumers' opportunistic behaviors in co-production on value co-creation.

To provide a basis for understanding the link between co-production and co-creation, we first review literatures in services marketing and Consumer Culture Theory (CCT), both of which have pioneered some of the ideas expressed through S-D logic (Arnould 2006; Vargo and Lusch 2006b). We then develop our arguments on the notion of consumer opportunism by utilizing knowledge gained from relationship governance literature. Third, we identify different types of opportunistic behaviors consumers engage in co-production, interrogate the condition under which such behaviors may manifest themselves, and examine the ways in which they may affect co-creation of value. We conclude by discussing the theoretical and managerial implications of opportunistic behaviors in co-production and by suggesting directions for further research.

Theoretical Review

Co-Production and Co-Creation of Value

Services scholarship[1] has played an important role in stimulating the proposal of the S-D logic for marketing (Lusch and Vargo 2006a). Research in this area provides grounding specifically for the articulation of the sixth original foundational premise (FP6); *the customer is*

[1] It is important to note that the term "services" has been conventionally used to refer to a particular type of product (i.e., intangible) in goods-based model of exchange. The singular term "service" that is used in S-D logic, on the other hand, is a higher order term that unifies contrasting philosophies about the processes of value creation and exchange (Vargo and Lusch 2004b, 2008b). Service transcends the supposed distinctions between alternate forms of products and refers to "the application of one's resources for the benefit of another entity" (Vargo and Lusch 2008b, p. 28).

always a co-producer (Vargo and Lusch 2004a). Within this literature, co-production is conceptualized as the consumer's participation in the production and the delivery process (Fisk, Brown, and Bitner 1993). For instance, Dabholkar (1990, p. 484) defines consumer participation as "the degree to which the customer is involved in producing and delivering service." Similarly, Silpakit and Fisk (1985, p. 117) define it as a behavioral concept that refers to the "degree of consumers' effort and involvement, both mental and physical, necessary to participate in the production and delivery of services." Other scholars, on the other hand, refer to co-production as something that occurs when "a customer decides to produce for him- or herself the service previously purchased from the service provider" (Fodness, Pitegoff, and Sautter 1993, p. 18).

Research in this area has addressed economic (e.g., increased productivity, reduced transaction time) and psychosocial (e.g., consumer empowerment, consumer satisfaction) outcomes of co-production for both the firm and the consumer (Bendapudi and Leone 2003; Cermak, File, and Prince 1994; Czepiel 1990; Lovelock and Young 1979; Schneider and Bowen 1995). In relation to the benefits of co-production highlighted in these studies, researchers have examined consumers' propensity to co-produce and mainly focused on consumer characteristics (e.g., personality, self-concept, and demographics), motivation, preferences, commitment, and competence as influential factors for co-production (Bateson 1985; Goodwin 1988; Meuter et al. 2005; Silpakit and Fisk 1985). Researchers have also looked at the firm's role in encouraging and managing co-production. Drawing from the organizational socialization literature, they have suggested viewing consumers as partial employees of the firm. Toward this end, they have emphasized the importance of defining the customer's job, training the customer to perform his/her job, and rewarding the customer for a well-done job for consumer co-production to result in desirable consequences for both the firm and the consumer (Bowers, Martin, and Luker 1990;

Kelley, Donnelly, and Skinner 1990). Taken as a whole, these studies contribute to our understanding of the implications of FP6 by highlighting issues such as consumer motivations underlying co-production, management of co-production and consequences of co-production.

The modification of FP6 from *the customer is always a co-producer* to *the customer is always a co-creator of value* necessitated a clarification of the distinction between the terms co-creation and co-production. Vargo and Lusch (2006, 2008a) suggested that these terms represent nested concepts that together make up the value co-creation construct. Co-production is a strategic decision variable for consumers during which the firm plays a facilitative and a managerial role (Etgar 2008; Payne, Storbacka and Frow 2008), while consumer is always a co-creator of value regardless of whether or not value co-creation occurs through co-production.

Co-creation of value dovetails CCT (Consumer Culture Theory) researchers' focus on "the consumption cycle, that is, the full range of consumers' pre- and post-acquisition behaviors through which value is derived from the integration of marketer- and consumer-provided resources" (Arnould 2006, p. 294). By showing the ways in which consumers activate object meanings as well as alter or create their own meanings through their consumption practices (e.g., Brown, Kozinets, and Sherry 2003; Holt 1995; McCracken 1986; Muniz and O'Guinn 2001), these researchers illustrate the complexity of the co-creation process and the richness of consumers' co-creative roles.

Consumers' co-creative roles have received much attention particularly in the area of branding. Research in this area documents consumers as co-creators of brand essence (Brown, Kozinets, and Sherry 2003) and brand personality (Fournier 1998) as well as the co-creator role of consumers in spectacular consumption environments (Kozinets et al. 2004). Viewing brands as socially constructed entities, Brown, Kozinets, and Sherry (2003, p. 28), for instance, argue that consumers play an active role in co-creating brand meanings " by carefully reading and interpreting brand-related communications, adding their own personal histories, and continually delving into definitions of the brand's authenticity." Along similar lines, studies of brand communities such as those centered on Apple Newton (Muniz and Schau 2005), Saab (Muniz and O'Guinn 2001), and Star Wars (Brown, Kozinets, and Sherry 2003) depict how members of these communities exert control over brands by continuously negotiating shared meanings (Kozinets and Handelman 2004). Muniz and Schau's (2005) research on the grassroots brand community centered on the Apple Newton, for example, demonstrates how the members of a brand community perpetuate and revitalize the brand long after the marketer abandons the brand. Overall, these interpretive consumer behavior studies provide empirical evidence for the significance of consumers' meaning-making activities to value co-creation (see Arnould and Thompson 2005 for a detailed review).

The theoretical and empirical contributions of past research in services marketing and CCT literatures reviewed herein provide a basis for understanding of the link between co-production and co-creation. A holistic consideration of these contributions is in line with Penaloza and Venkatesh's (2006) proposal to re-vision creation of value to include meanings. We suggest that including both exchange and use of meanings into the value equation serves to illustrate more explicitly the relation between co-production and the ensuing dynamics in value co-creation. In particular, it has been suggested that the value realized from co-production may not be equal between the firm and the consumer (Payne, Storbacka and Frow 2008). As we shall see, the value that co-production provides to the co-producer may not necessarily be favorable to the firm and other consumers as they also appropriate the resulting co-created meanings.

Interactive and Relational Nature of Value Creation

In S-D logic, FP8 states "A service-centered view is inherently customer oriented and relational" (Vargo and Lusch 2008a). This foundational premise, in conjunction with FP6, emphasizes the interactive rather than the unidirectional nature of the value creation process and diverts the attention away from discrete transactions to relational participation. This argument is also well captured by and grounded in studies that illuminate links between value creation activities and relationship development and dialog (e.g., Ballantyne and Varey 2006; Gronroos 2004, 2006). What is missing in these discussions is accounts of orientations consumers bring to bear on their interactions with firms, in particular, those that are opportunistic in nature.

Value co-creation implies that consumers become part of the collection of partners with whom the firm has to cooperate with in order to co-create value. Opportunistic behaviors, however, are contrary to the cooperative nature of firm-consumer relationship as postulated by the S-D logic. Our interest lies in identifying such behaviors in co-production and examining the ways they may affect value co-creation. In developing our arguments, we draw a parallel between the notion of firm-consumer relations in value co-creation and the extant frameworks used to study governance of interfirm relationships. The relationship governance literature provides a useful building block for our purposes because firms, too, rarely create value in isolation. Often times they align themselves with suppliers, customers, and employees and engage in exchange episodes that add value or reduce cost in some way (Webster 1992; Brandenburger and Nalebuff 1997). In the next section, we offer a detailed examination of opportunism based on relationship governance literature.

Conceptual Framework

Opportunism in Interfirm Relationships

The concept of governance refers to a mode of organizing transactions (Williamson and Ouchi 1981), including "elements of establishing and structuring exchange relationships as well as aspects of monitoring and enforcement" (Heide 1994, p. 72). Governance issues have received considerable attention in the interfirm relationship literature in marketing. The studies in this area address questions such as how to organize relationships among exchange partners who have only partially overlapping goals, which control mechanisms (e.g., monitoring and incentive devices) to use to manage these relationships and how to match formal and informal rules of exchange with attributes of exchange under examination (e.g., Murry and Heide 1998; Stump and Heide 1996; Wathne and Heide 2000, 2004).

The theories (e.g., transaction cost and agency theory) that are used to address the problem of how to conduct exchange between firms assume that parties may act opportunistically if they are given the chance (Bergen, Dutta, and Walker 1992; Eisenhardt 1989; Williamson 1985, 1996). Consequently, opportunism has been discussed in great detail in the interfirm relationship literature with emphasis on how to curb opportunism to manage relationships with exchange partners (Heide and John 1992; John 1984; Stump and Heide 1996).

Opportunism is originally defined as "self-interest seeking with guile" (Williamson 1975, p. 6). The notion of guile, which may be described as lying, stealing, cheating, calculated efforts to mislead, distort, disguise, obfuscate, or otherwise confuse, is what separates opportunism from other self-interest seeking behavior (e.g., hard bargaining) (John 1984). According to this definition, the assumption of opportunism in interfirm relationships means that exchange partners will behave opportunistically whenever that behavior is feasible and profitable. Such conceptualization of opportunism involves situations in which exchange partners not only fail to adhere to general norms (e.g., truthfulness) that characterize the relationship, but also violate explicit contracts (Wathne and Heide 2000).

The original notion of opportunism has also been extended from explicit (i.e., formal) contracts to relational ones (e.g., Williamson 1991). A growing body of research documents that many interfirm relationships are in fact governed by relational contracts (e.g., Heide and John 1992; Kumar, Scheer and Steenkamp 1995; Lusch and Brown 1996). Such contacts involve informal agreements and unwritten codes of conduct and may be seen as incomplete in a formal sense (Dwyer, Schurr, and Oh 1987; Heide and John 1992; Heide and Wathne 2000; Macneil 1980). Under a relational contract, opportunism is defined as self-interest seeking contrary to the principles of the relation in which it occurs (Wathne and Heide 2000). The notion of guile, in this context, means “taking advantage of opportunities with little regard for principles or consequences” (Macneil 1981, p. 1023). Hence, opportunism implies the violation of a particular relationship specific contracting norm that is used to shape the parties’ expectations regarding subsequent behavior.

Prior literature also identifies two types of opportunistic behaviors, namely, active and passive (Wathne and Heide 2000). Underlying the distinction between active and passive forms of opportunism is the idea that an exchange party can engage in or refrain from particular actions. While passive opportunism takes the form of withholding information, shirking, and evading obligations, active opportunism involves distorting information and violation of principles. Both types of opportunistic behaviors may manifest themselves during relationship initiation (ex ante) (i.e., the problem of adverse selection) or over the course of the relationship (ex post) (i.e., the problem of moral hazard) (Bergen, Dutta, and Walker 1992; Eisenhardt 1989).

In what follows, we define opportunism in co-production, identify the antecedent and facilitating conditions for such behaviors, and articulate the implications of different types of opportunism for value co-creation.

Opportunism in Co-Production

Akin to the problem of governance in interfirm relationships, the issue of how to govern relationships with consumers becomes a focal concern in co-production. Similar to the ways in which firms establish partnerships with specialists such as advertising agencies in performing and implementing their marketing programs, firms grant authority to consumers and work with them in co-production. For example, the American auto manufacturer Chevrolet invited consumers to create their own 30-second commercial for the 2007 Chevrolet Tahoe via the Chevrolet website for their recent campaign (Bosman 2006). Lego, on the other hand, asked four Lego fans to co-design their new product, Mindstorms NXT (Koerner 2006). By participating in the creation of offerings, consumers act on behalf of (or in opposition to) the firm, communicate meanings of the offering, and shape the image of the firm as well as its offerings.

As with the relational and collaborative orientation of the S-D Logic (i.e., FP 8), co-production implies a relational type of exchange between the firm and the consumer. Often times, these exchanges are governed by relational as opposed to explicit contracts. Unlike specialists that are contracted on a commission or fee basis to work with the firm and operate under explicit formal contracts, the co-producer operates under an implicit social contract. This contract indicates that there is “a set of mutual expectations which involves a pattern of rights, privileges, and obligations” between the firm and the co-producer (Mills and Morris 1986, p. 727). Hence, this contract forms a basic understanding of what constitutes proper behavior in the process of co-production. We conceptualize opportunism in co-production as a breach of this implicit/ social contract between the firm and the co-producer.

In line with Wathne and Heide's (2000) conceptualization of opportunism, we distinguish between two types of opportunistic behaviors – active and passive – that may occur in co-production. Active opportunism involves a violation of the social contract that governs firm-consumer relations in co-production. For instance, the American auto manufacturer Chevrolet's recent campaign that invited consumers to create their own 30-second commercial for the 2007 Chevrolet Tahoe via the Chevrolet website (http://www.youtube.com/) did serve the purpose of generating interest through viral marketing. However, the most widely circulated videos had negative contents such as those that attacked the S.U.V for its gas mileage (Bosman 2006). Co-producers, in this case, were motivated by their self-interest in carrying out an environmentalist agenda. Conceptually, this co-production activity represents an active type of opportunism on part of the co-producers who have deliberately violated and breached their implicit social contract with the company. Passive opportunism, in contrast, may manifest itself when the consumer may not expend the necessary information and effort in participating in creation of the core offering. For example, when consumers avoid their cleaning up after a meal at restaurants such as McDonald's, they are engaging in passive opportunism by evading their obligations in co-production.

Antecedent and Facilitating Conditions of Opportunism in Co-Production. Figure 1 shows the antecedent and facilitating conditions of opportunism in co-production. We suggest that the main factor deriving consumers to engage in opportunistic behaviors in co-production is goal incompatibility (Ouchi 1980). As noted by Arnould, Price, and Malshe (2006), consumers and firms have only partially overlapping goals and often hold different orientations towards their relationships. For example, while a marketer may be pursuing the goal of developing a certain type brand personality through co-production, co-producers may be interested in individualizing the brand according to their needs.

(Insert Figure 1 about here)

The presence of goal incompatibility, however, will not necessarily translate into opportunistic behaviors. We believe that there are two conditions that would facilitate opportunistic behaviors in co-production in the presence partially overlapping goals. The first condition is information asymmetry with respect to consumers' skills, expertise, intentions as well as actions. What information asymmetry means in this context is that the firms' ability to detect opportunism is limited in co-production, which gives consumers a chance to pursue such behaviors without getting caught. In another words, information asymmetry makes it difficult to assess compliance of co-producers with the social contract. The second vulnerability is the social disagreement condition that arises when co-producers and the firm disagree on a broad range of values and beliefs, and consequently, on what constitutes proper behavior. For instance, when consumers participate in viral marketing campaigns and in co-designing new products as such, they undertake work on the firm's behalf and they are expected to meet a set of expectations (e.g., performance, effort). The control mechanism designed to ensure that these expectations will be met relies "upon a deep level of common agreement between members on what constitutes proper behavior" (Ouchi 1979, p. 838).

Implications of Opportunism in Co-Production for Co-Creation of Value. Co-production occurs when companies outsource the steps in the value chain to consumers and it fosters engagement with offerings by facilitating consumer participation in the creation of them. As such, co-production creates experiences around offerings and evokes favorable emotions and attitudes (Bendapudi and Leone 2003; Etgar 2008; Prahalad and Ramaswamny 2004b). We argue that, through co-production, consumers create use value (i.e., co-create) by making something unique, enjoying their contributions to the process, and sharing the co-produced offering with others (Tapscott and Williams 2006). For example, 1154 Lill Studio, a Chicago based boutique, allows consumers to co-design handbags, and in turn, to derive intrinsic value from their involvement as well as to have an impact on the end product (Anderson 2005; Humphreys and Grayson 2008). Co-producers also create meanings for themselves as well as for others (e.g., firm, community members, other consumers), producing immaterial assets that make up brands' value (Arvidsson 2005; Lazzarato 1996). For instance, McAlexander, Schouten, and Koenig's (2002) ethnographic research examines Jeep brandfests that are co-produced by the company and Jeep owners and reveals meanings and associations (e.g., Jeep as a caring institution, Jeep people as family) that are co-created throughout this event. As these examples illustrate, co-production enhances the use value of the offerings and indirectly affects their exchange value.

In some instances, however, co-production also involves consumers performing in steps of the value chain that directly create exchange value (Humphreys and Grayson 2008). For example, at Threadless.com, consumers submit t-shirts designs for consideration for potential sale. Such consumers help companies to be more successful in the market by creating an offering that can be sold to others. In sum, co-production affords opportunities through which consumers co-create meanings and determine both use value and exchange value.

(Insert Figure 2 about here)

Figure 2 illustrates how active and passive forms of opportunism in co-production activities impact value co-creation by drawing attention to co-created meanings. Quadrant I illustrates the case of an active opportunistic attempt by a graduate student at MIT who used Nike’s iD service to co-produce a pair of sneakers. This service allows customers to design their own sneakers and to print a word of their choice or "iD" on the side of the sneaker. When the student selected "sweatshop” to be printed along the side and Nike refused to complete the order, the series of e-mail exchanges between the consumer and an anonymous customer service representative were e-mailed to over 2 million people worldwide. As a result, the Nike representatives had to defend the company’s labor practices on NBC’s *The Today Show* (Bosman 2006). In sum, the co-producer of the sneaker, motivated by his self-interest, used this co-creative platform to pursue a consumer activist agenda (i.e., a goal that was incongruent with that of Nike). Quadrant III shows the negative impact of this active opportunism on the firm and other consumers of Nike by summarizing some of the co-created meanings. Specifically, Nike is depicted in the marketplace as being socially irresponsible due to its labor practices that exploit child labor. Also, Nike iD consumers are implicitly construed as unreflective consumers for using such company’s services (see Kozinets and Handelman 2004; Thompson, Rindfleisch, and Arsel 2006). The previously mentioned Chevrolet Tahoe example would also fall under these quadrants constituting another instance of active opportunism that creates a greedy and inferior imagery of Chevy consumers and portrays the company as evil for abusing the environment.

Quadrant II depicts the case of passive opportunism by drawing on an example about Coke and Quadrant IV shows the resulting negative meanings that are created around the corporate brand. Coke designed “The Coke Show” on their corporate website, inviting consumers to submit short videos in an attempt to engage them with the brand. However, this coproductive effort was not successful given the low number of submissions and the bad quality of videos as judged by the company as well as other consumers (www.northvp.com). In this case, co-producers acted opportunistically by not expending the necessary effort required for joint production of videos. Part of the reason for this passive opportunism had to do with Coke's previous dismissal of a consumer-generated video that featured streaming fountains of Coke foam that was created by combining the candy Mentos with bottles of Diet Coke (Interactive Advertising Bureau 2008). Nevertheless, such passive opportunistic behaviors of co-producers led to characterization of the company as a 'loser' and the brand as 'unhip' by consumers and marketing professionals, undermining their potential value (e.g., Collier 2006; Long 2006).

Active form of opportunism has asymmetric effects on the firm and the co-producer, putting firm in a more vulnerable situation than the co-producer. The underlying reason has to do with the intentions of those consumers who engage in this type of opportunistic behaviors. There is often a group of consumers whose intentions are to destroy, rather than to contribute to brand and/or firm value. Thompson, Rindfleisch, and Arsel's (2006, p. 50) work on emotional branding, for instance, draws attention to such consumer motivations by examining the disparaging images and stories about Starbucks that are circulated in popular culture by consumer activists, bloggers, and opinion leaders. Although such co-production platforms allow consumers to express themselves, the resulting co-created meanings often hurt the company as well its current customer base and offerings. In the case of passive opportunism, on the other hand, the opportunistic co-producer is also likely to suffer from the consequences of his/her opportunism as the firm and other consumers do. Both the McDonald's and Coke examples illustrated cases where there was a mismatch between the co-producers' and firms' desired level of involvement with the co-production activity. Although these co-producers may be seen as having adapted the offerings for their own use at the time, in the long-term, given that they are consumers of these brands, they may also have to bear the consequences of their opportunistic behaviors.

Discussion

Theoretical Implications

In traditional accounts of marketing, consumers are recognized as providing important inputs into marketing processes; nevertheless they are viewed merely as individuals who desire, purchase, and consume services/products (see Holt 2002 and Kozinets et al. 2004 for a critical discussion). The firm-consumer interaction, on the other hand, is seen just as a means for the firm to move its services and goods to the consumer while extracting value from the consumer (Prahalad and Ramaswamy 2004b). This paper is motivated by the emergence of the S-D logic (Vargo and Lusch 2004a), which has posed a challenge to these prior perspectives on consumer agency and the firm-consumer interaction.

In S-D logic, the notion of co-creation challenges the view that marketing's aim is to satisfy customers by designing an appropriate marketing mix within the confines of the firm's resources and objectives. Given that consumers are active participants, the goal of marketing becomes more than just being consumer-oriented (Vargo and Lusch 2004a). Marketers have to work with and learn from consumers, and most importantly, contribute to consumers' own value creation. In fact, the idea of consumer orientation is nothing more than a reflection of the inadequacy of the conventional, goods-dominant logic (Vargo and Lusch 2008a). Co-creation places a growing emphasis on firm-consumer relations and the ongoing interaction between them. Value is co-created through firm-consumer resource interaction, integration, and transformation (Arnould, Price, and Malshe 2006; Lusch and Vargo 2006a). Overall, S-D logic echoes the pursuit of mutually beneficial and cooperative relations between firms and consumers.

Recently, another stream of research that emerged as a critique of the S-D logic and the notion of co-creation[2] presents a pessimistic spin on consumers' agenic practices and the collaborative nature of firm-consumer relationships. This perspective draws attention to the immaterial labor of consumers (Arvidsson 2005, 2007) as well as commodification of consumer creativity (Bonsu and Darmody 2008) through co-production, and in turn, conceptualizes co-production as a new management technique that represents a form of market control and consumer exploitation (Humphreys and Grayson 2008; Zwick, Bonsu, Darmody 2008). These scholars acknowledge the idea that co-creation supposes a liberated consumer that has productive capabilities. S/he is active, empowered, and engages in activities using his/her creativity and know-how (Firat, Dholakia, and Venkatesh 1995; Firat and Venkatesh 1995). However, they argue that the idea of consumers becoming partners with firms in mutually beneficial processes is actually a new customer management strategy for capitalist accumulation and consumer control.

Our focus on consumer opportunism sheds light as well as casts doubt on both of these conflicting perspectives by drawing attention to instances in which consumers may not behave cooperatively in their relations with firms, and actually exploit co-production platforms. Such opportunistic behaviors play an important role in generation of often-negative meanings that hamper brand images and corporate reputations. In accordance with the S-D logic, this phenomenon makes it more apparent that the firm and the consumer operate under an

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[2] We believe that these scholars' use of the term "co-creation" corresponds to Vargo and Lusch's (2006a, 2006b) conceptualization of "co-production."

interdependent relationship and that the hierarchy in firm-consumer interactions in which the firm was seen as the dominant actor has dissolved. However, at the same time, the interdependent nature of firm-consumer relations and the ensuing conflict and control problems have also become more evident.

Managerial Implications

Unlike in interfirm relationships where the concern with opportunism has been mainly based on efficiency related reasons (i.e., minimizing governance costs) (e.g., Brown, Dev, and Lee 2000), the opportunistic behaviors in co-production have to be taken into consideration for the strategic implications they may have for brand images and corporate reputations. For example, Brown, Kozinets, and Sherry (2003) argue that “consumers draw holistically from their lived experiences with products, history, mass media, and one another, as well as marketing sources, for the meanings they ascribe to brands” (p. 30). Accordingly, brand meanings can no longer be subsumed under the sole imposition of managers. As consumers endow brands with complex and heterogeneous meanings, the strategic role of brand management shifts from a structural and cognitive approach towards an experiential view concerned with the management of meaning (Brown, Kozinets, and Sherry 2003). We suggest that firms may draw upon two main relationship management strategies to foster cooperative relations with co-producers and guard against opportunistic behaviors and the negative meaning that may be generated as a result: (1) select co-producers in line with their goals or (2) design a managerial system that encourages desired behaviors (Ouchi 1979). The first approach can be put into practice through screening and self-selection mechanisms, while the second approach can be carried out through incentives and monitoring (Heide and Wathne 2006).

Screening consumers is a mechanism by which the firm may gather information about consumers to determine whether they actually have similar goals and interests. For example, Lego invited four Lego fans that had also participated in the annual conference Brickfest, to take part in a Mindstorms User panel and co-design their new product, Mindstorms NXT (Koerner 2006). Given that these consumers had to invest their time and effort a priori, this method of identifying co-producers helped Lego to guard against those consumers who may not expend the required effort or violate their social contract. The tradeoff from the point of view of the firm is between the costs of acquiring information about co-producers and the loss resulting from passive and active opportunistic behaviors. The main shortcoming of this solution is that reliable and valid information about the customer is often not available (Mills and Morris 1986). Given the drawbacks of the screening method, the firm may also devise mechanisms such that those consumers whose goals are congruent with the firm can self-select to co-produce. For example, Southwest Airlines invites its frequent fliers to help them interview and select new flight attendants. By allowing consumers who are highly familiar with their offerings to self-select, the company succeeds in bringing valuable consumer insight into their recruitment process (Brown 2003). Hence, self-selection mechanisms guard against the problem of active opportunism by allowing only those consumers who meet the prespecified criteria to co-produce.

We suggest that the design of managerial systems that encourage desired behaviors help with coping passive opportunism. The firm may choose to train or incentivize consumers to target the source of such opportunistic behaviors. For example, Home Depot offers its customers a variety of workshops to develop their expertise in do-it-yourself home improvement projects (Honebein and Cammarano 2006). Such techniques not only help consumera gain the necessary skills but also help them in being socialized into co-production. In some instances, the firm may not be able to observe the effort consumer puts in co-production and consequently has to decide how to evaluate and reward the consumer so that s/he is motivated to behave in line with the firm's goals. Towards this end, the firm may devise an outcome-based contract in order to align the consumers' preferences with those of the firm. An outcome-based contract determines the consumer's rewards according to his/her performance outcomes (Eisenhardt 1989). For example, Verizon Wireless encourages positive word-of-mouth by offering its customers discounts for each referral they make. Similarly, a firm like Amazon, which lets its consumers post reviews on books, can track the number of book sales through affiliates and offer discounts to its customers based on their sales performance. These incentive structures can motivate co-producers to refrain from opportunistic behaviors.

Conclusion and Future Research Directions

This paper focused on susceptibility of co-production to consumers' opportunistic behaviors. From a theoretical standpoint, this paper provides a novel perspective on firm-consumer interaction by drawing a parallel to interfirm relationships, articulating how and why opportunistic behaviors may occur in co-production, and by assessing the implications of such behaviors for co-creation of value. In doing so, this paper also illustrates one of the ways in which c-production and co-creation of value are linked.

While the conceptual framework developed in this paper sheds light on some of the problems that characterize the firm-consumer interaction in the value creation process, it is not without limitations. For example, a key assumption that contributes to the arguments presented herein is the idea that consumers act in their own self-interest. However, the behavior of some co-producers is guided by altruistic intentions as exemplified by the recent open source movement (OS). The OS movement can be conceptualized as an extreme case of co-production through which thousands of people collaborate to develop and distribute offerings. The computer software Linux and the free online encyclopedia Wikipedia are only some examples of the wide range of OS applications. The intellectual contributions of co-producers of OS offerings are nonproprietary in nature. Moreover, they offer their skills and input without receiving any payment (Pitt et al. 2006). Hence, the ways in which alternative orientations of consumers may contribute to value co-creation emerges as an interesting area for future research.

Future research is also needed to empirically assess the degree to which opportunism exists in co-production activities and the ways in which it may be managed. Further research that considers the different types of contracts that may be used to define the terms of co-production would also help to develop our focus on governance of firm-consumer relationship in value co-creation. Lusch and Brown (1996) explain that contract format and exchange format are related although not identical constructs. Thus, relational exchanges that constitute the focus of our article are not necessarily governed by relational (i.e., normative) contracts. Indeed, several instances of consumer opportunism in co-production have caught the attention of lawyers, calling for a need to understand the different types of contracts that may be devised to govern firm-consumer collaborations (Greenberg 2009; Marek 2007).

Appendix

FIGURE 1:

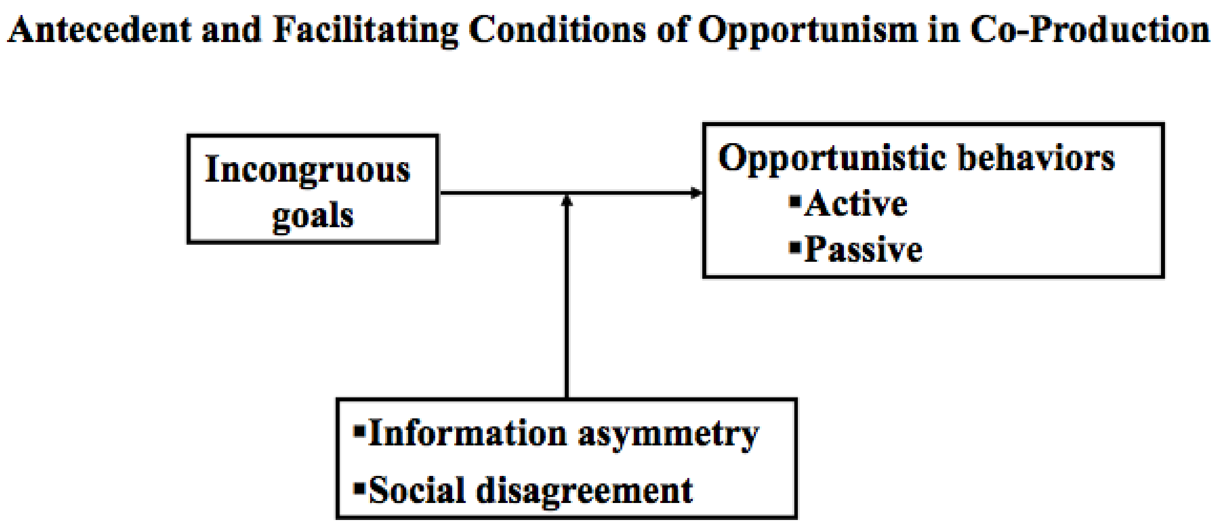
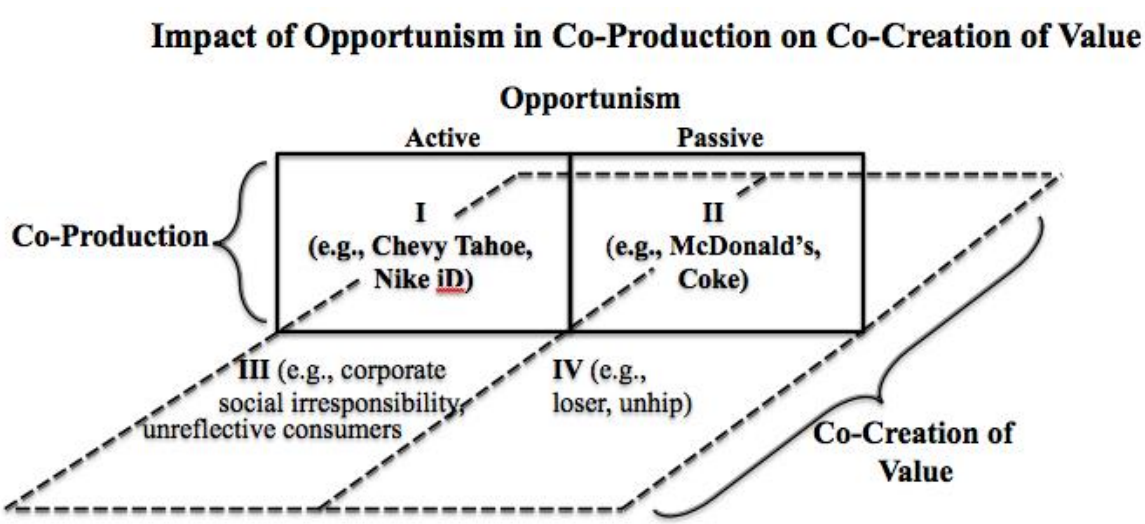


FIGURE 2:



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