



Business Innovation Observatory



Customer Experience

Customer incentives and involvement

Case study 36

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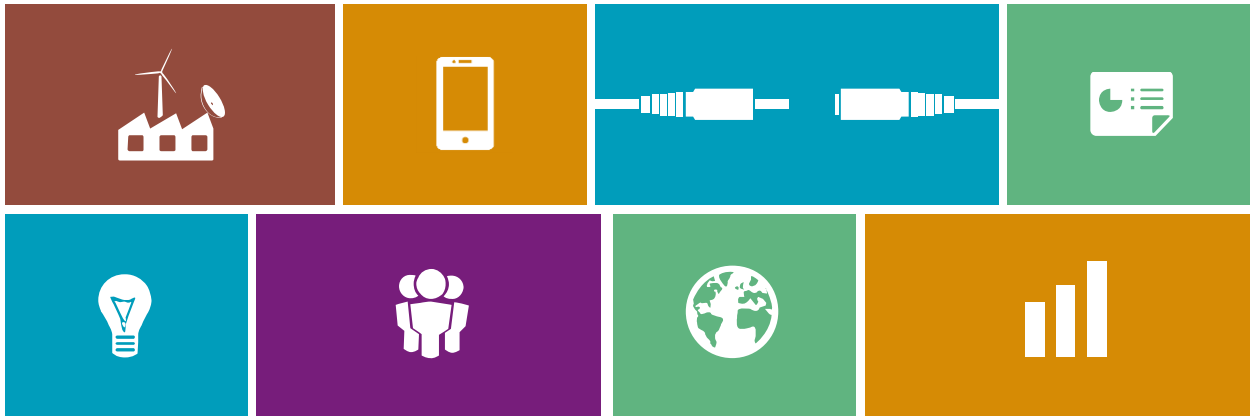
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1. Executive summary

Customer incentives and involvement refers to methods and techniques applied by companies to **engage customers** in the development of new products. By leveraging the creativity, insight and wit of customers, brands are attempting to better target and segment their audience in order to predict market demand and design their marketing campaigns accordingly.

With over 10 million people contributing to crowdsourcing activities across the world in 2013¹, customer involvement activities are a **new form of how businesses interact with customers** breaking with the traditional seller-buyer relationship. Today, companies are empowering their customers to reap the benefits from their experience, expertise, motivation and time in order to come up with data-driven market decisions.

As a result, an increasing number of SMEs as well as large companies are integrating customer involvement techniques as part of their business model and marketing process. Through activities such **co-creation, co-design, user innovation, user manufacturing, or living labs**, companies are able to turn customer involvement into innovations.

Key benefits of customer involvement include the improvement of viability assessments of products enabling companies to generate more sales and revenues. In this context, customer involvement activities are usually initiated by a value creation strategy enabling brands to acquire a competitive edge. Consequently, the economic potential of customer involvement has been steadily accelerating.

Studies predict that by 2017, half of all producers of consumer goods will receive 75% of their innovation and R&D capabilities from crowd-sourced solutions².

From a company perspective, a key driver for using customer-generated and developed ideas is the growing trend of customers buying products according to their very personal preferences and their level of involvement in the development process. Moreover, the emergence of a **collaborative business-customer relationship** is reshaping user interaction with companies' products and services. In addition, the improvement of digital tools and crowdsourcing online platforms is connecting companies with customers in more effective ways, enabling them to use their relevant experience, ability, and time.

The **critical barriers** for enterprises to implement customer involvement processes are the challenge to attract capital for their growth phase, the lack of awareness about existing public support schemes and the need to widen the definition of "innovation". In a broader perspective, the lack of education of the market on the benefits of customer-driven innovations appears as a major challenge for the uptake of the trend.

In this regard, **policy recommendations** to foster the uptake of the customer-driven innovation market concern a better access to finance for SMEs, a clearer communications on EU funds and the elaboration of an official definition for "innovation". It would be further recommended to create technological hubs, to address the shortage of IT professionals and to encourage the creation of more partnerships between SMEs and public institutions.



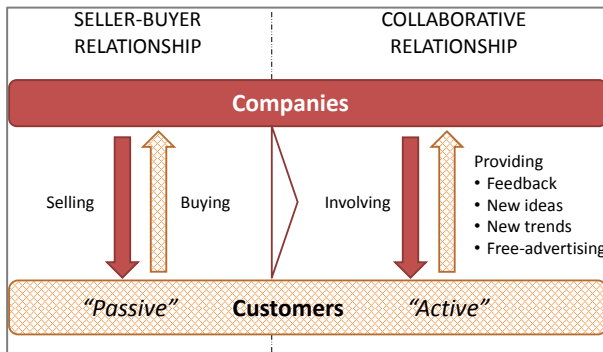
2. Customer incentives and involvement

Customer incentives and involvement techniques are being used to facilitate product and service development, and to **increase the market adoption** of new products. The internet is the prevailing medium through which companies ask customers to test innovative technologies or to carry out specific tasks (e.g. price-checking or designing). By drawing on the internet's large user base and its ability to generate viral effects, companies can better endorse their products and minimise their costs.

Incentivising and involving customers is thus about **fostering user loyalty and pro-activity** in order to reduce the cost per user acquisition (CPA) for new products and services. In return, companies can compensate their customers for their involvement and their feedback.

This trend transforms the seller-buyer relationship into a collaborative business-customer relationship (Figure 1). Customers are no longer just consumers of goods and services but becoming business partners, co-creators and/or co-designers.

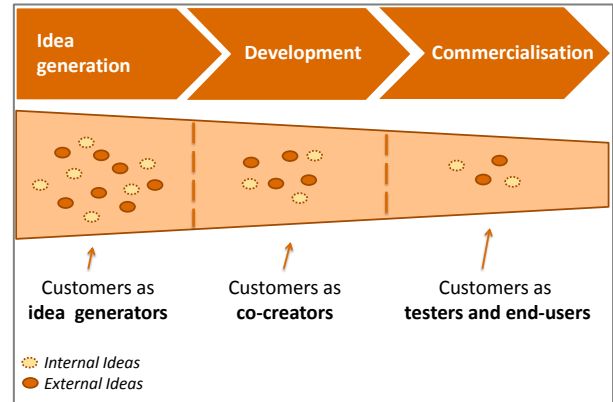
Figure 1: Transformation of the customer status in the business relationship



Source: PwC Analysis

In order to leverage on customer involvement, companies have multiple opportunities to **develop collaborative relationships with customers** and finding win-win opportunities for acting in commercial partnerships. Furthermore, companies are encouraging customer engagement at all stages along the value chain, including: inbound logistics, operation, outbound logistics, sales and marketing, and servicing (Figure 2).

Figure 2: Customer involvement in innovation processes



Source: PwC Analysis³

To encourage customers to participate in innovation activities, businesses can launch loyalty programs including incentives or rewards that motivate customers to contribute to their commercial success, thereby creating a **win-win situation for the customer and the company**. Incentives offered by companies may include acknowledgements, discounts, special deals and financial rewards, as well as opportunities for exclusively designing, developing or testing new products or marketing campaigns.

Today, **social media and online communities** have empowered networking with customers that are increasingly comfortable in sharing and providing feedback on products and services. Indeed, social media like Facebook, Twitter, Instagram, etc. provide tools to interact with customers influence their purchasing behavior and develop loyalty towards the brands while rewarding them for their contribution to the business.

The customer involvement differs depending on the type of social media. Facebook is mostly used by companies to develop customer loyalty (as people can simply "like" a page), whereas Twitter is better suited to gather feedback or resolve problems with products or services. YouTube and Instagram, on the other hand, are more useful for advertising, e.g. by inviting customers to photograph or demonstrate instances in which they are using a company's product or service.



The fact that social media already attract 10% of all digital advertising expenditure highlights the growing significance of this relatively new medium⁴. However, there is still a lack of effective metrics linking social media advertisements to increases in sales. For example, few metrics take bloggers into consideration because it remains difficult to understand their influence online.

The companies described in this case study have developed innovative strategies for encouraging customers to get involved into business-cycles, be it via gathering market data, testing products or services, or providing feedback. The value proposition of these companies consists of enrolling customers into incentives programs that provide financial incentives or exclusivity in the testing new products.

3. Socio-Economic Relevance

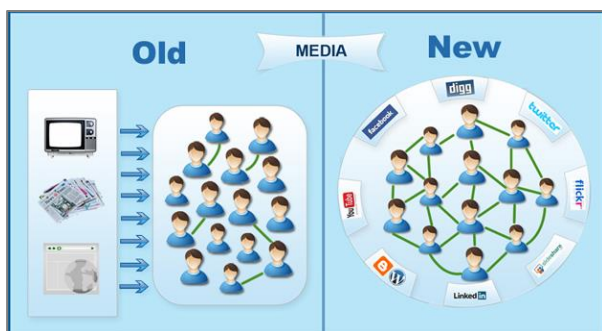
The expansion and transformation of web platforms into networks have led to an **empowerment of customers**. As a result, the economic impact of this customer empowerment is multi-fold. This section will explore the socio-economic impact of customer-driven innovation strategies notably through the presentation of the problems underpinning the creation of the showcased companies and the innovative solutions found to tackle them.

3.1. The development of social media is empowering the business customer relationship

Over the past 20 years, the online community of social media users has rapidly increased in size, providing an entirely new way for companies to interact with customers. Before, the interaction of companies with customers has often come in the form of market data collection. However, companies are now asking customers to **share their opinions** on company products and services and **deliver business content**.

The transformation of the web from a content platform to a dynamic and sharing platform has eradicated technical barriers that prevented potential customers from creating online profiles and accounts that facilitated their networking and self-expression across digital platforms (Figure 3).

Figure 3: Social media enhances customer networking



Source: www.mysocialagency.com⁵

Recent studies have shown that people are increasingly turning to social media to solve problems and communicate their complaints. A survey conducted by IAB and Lightspeed⁶ in 2012 demonstrates that **44% of adults use the web to share grievances about products** and 57% of consumers prefer to search online to solve customer service issues.

Such connections and interactions between costumers and companies through social media and other digital platforms are expected to grow in the coming years. The total number of social media accounts, for instance, is expected to grow from about 3.1 billion in 2012, to 4.9 billion in 2016. Besides, the number of social media users is expected to rise from 1.6 billion users in 2012, to 2.3 billion in 2016⁷.

Moreover, this phenomenon has been taken up across all age groups, especially among the 18-24 years olds (Table 1). Hence, it is clear that the use of web platforms to interact with companies is becoming culturally accepted by all the age groups of the population.

Table 1: Percentage of people using social media for interaction with companies

Age group	% of people who have dealt with a brand through social media
18-24	49.5
25-34	44.6
35-44	37.5
45-54	31.7
55+	27.4

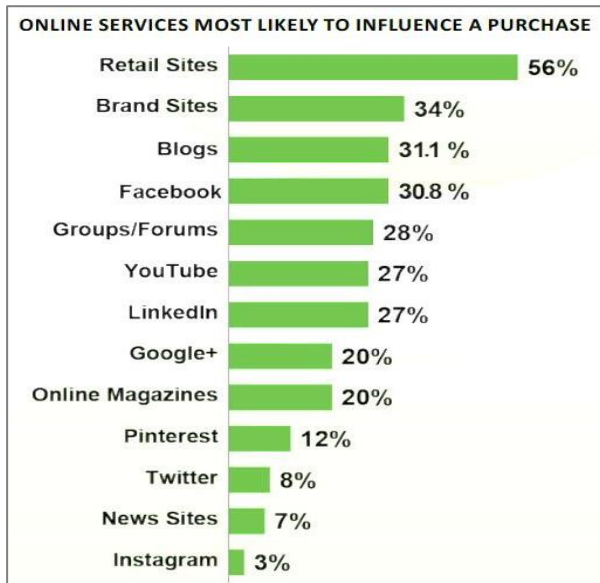
Source: *A Perfect Mix: Social Media & Customer Service*, BackCheck

The role of social media in influencing buying decisions, and building customer trust and loyalty is constantly growing. A recent report on “Digital Influence” by Technorati Media provides some market insight into the fast evolving digital landscape. It is created on the basis of information collected from over 6,000 influencers, 1,200 consumers and 150 top brand marketers⁸.



Figure 4 illustrates the ranking of the online services which are likely to influence customer behavior. It appears that blogs, as well as social media (e.g. Facebook, YouTube, and LinkedIn) play a significant role in influencing purchase decisions.

Figure 4: Ranking of online services capability to influence customer behaviour

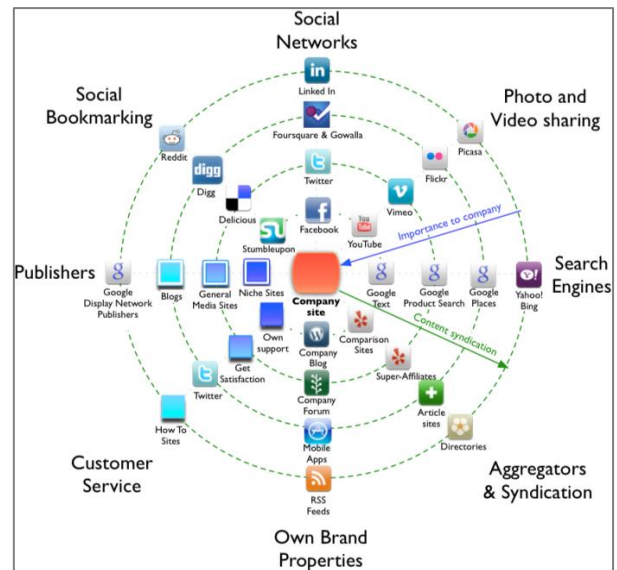


Source: Technorati Media 2013 Digital Influence Report

Managing a brand on social networks has become essential in the current economic and competitive online environment. Consequently, the development of a coherent marketing strategy in the faster, more flexible and affordable digital radar is becoming increasingly important when compared to traditional marketing methods (TV, radio and newspapers ads).

The **digital marketing radar** is a tool enabling companies to develop their strategy for reach by prioritising the types of sites to favour in order to help them gain visibility (Figure 5). As demonstrated through the digital marketing radar the use of a specific social network, social benchmarking, photo and video sharing platform is not a random choice and implies specific effects related to each chosen medium. As a result, the digital marketing radar serves as an effective instrument to choose the right communities in order to create and share the right content accordingly.

Figure 5: Digital Marketing Radar



Source: www.smartinsights.com⁹

Companies are increasingly aware of the added-value of social media as a relevant platform for their digital marketing. Out of the 2,100 companies surveyed, **85% of companies are currently engaged in social networks** like Facebook, microblogs like Twitter, and sharing multimedia on platforms such as YouTube. Research from the Harvard Business Review report "The New Conversation: Taking Social Media from Talk to Action" highlighted that much of the investment in social is future-oriented¹⁰.

Companies are primarily building their social media presence through three platforms, namely: Facebook at 91%, Twitter at 85% and YouTube at 73% (Figure 6). Blogs have a significant place in the top eight just ahead of Instagram and Google+¹¹.

Figure 6: Social platforms most used by companies



Source: Technorati Media 2013 Digital Influence Report

Moreover, according to a study conducted by Pivot Conference¹² between 2011 and 2012, customers are most interested in having access to company content before providing constructive feedback for improving their products or services. Nevertheless, many enterprises are making up for the shortfall in access to content by offering incentives, like deals, promotions, additional revenues, etc.

In order to better understand and assess the potential of customer incentives and involvement, the following section draws on the information collected via interviews with the



five companies presented in Table 2. By showcasing their products and services this case study demonstrates how their novel business innovation can lead to successful business development and growth.

Table 2: Overview of the company cases referred to in this case study

Company	Location	Business innovation	Signals of success
Adpoints	UK	Platform rewarding customers for watching and engaging with video-based advertising. The audiences can choose what they want to watch, where and when, and then give feedback on the advertisements.	Winner of EuroCloud UK 2012 Award for best cloud start-up.
EyeKa	France	Crowdsourcing platform connecting creative individuals with brands to boost their return on marketing expenditure. Enables people to accept a business challenge (animation, creative writing, video, graphic design, label and packaging) and propose an innovative solution to companies.	Winner of 2012 Co-Creation Award.
KBHFF	Denmark	Organic food cooperative based on a social enterprise model. Members volunteer to work three hours per month in the store to be allowed to shop at the KBHFF. Members are responsible for the management of the coop's purchasing, distribution, financing and communication.	Rapid expansion of the concept throughout Europe and the USA. Eleven shops in Copenhagen. Park Slope Food Coop in New York has more than 15,500 members.
Logograb	Switzerland	Brand-customer interaction tool that enables customers to scan logos in order to generate and access real-time brand content such as product information, discounts and customers opinions.	Extensive international media coverage.
Sampleo	France	Product testing platform that allows companies to offer their products to customers in exchange for their review and feedback.	Winner of the "Petit Poucet" 2012 Award for most Innovative start-up, Finalist of the Movjee Award for Innovation.
Staffino	Slovakia	Mobile application enabling consumers to give direct feedbacks on the quality of the service offered by companies' employees.	After 6 month business activity already entered multiple foreign markets.

3.2. The role of customer incentives and involvement in solving existing problems

Incentive programs have the potential to encourage customers to tackle a wide range of existing problems and to generate innovative ideas. The business challenges below have given rise to profitable business solutions that leverage on customer incentives and involvement. Furthermore, they underline the potential of companies in the highly innovative markets they operate in.

Problem 1 – Once advertisements begin on TV, many viewers stop watching or switch to another channel. Nowadays, several technologies provide an array of options that facilitate the avoidance of advertising, e.g. the fast-forward option, the opportunity to watch content a month later or ad blockers. As a result, an increasingly higher number of ads are no longer being viewed.

Innovative solution 1 – **Adpoints** is an innovative platform incentivising consumers to watch entire adverts. Thanks to its partnership with Nectar, the largest loyalty card scheme

in the UK, Adpoints can offer discount shopping points for consumers who are watching ads and providing feedback on their content.

By connecting highly engaged audiences with leading advertisers, the start-up is reshaping the **consumer-advertising experience**. This unique advertising solution makes advertising a more enjoyable, involving and rewarding experience for viewers, who are given the choice to watch the ads they selected whenever and wherever they want.

Furthermore, consumers are placed at the centre of the advertising system that serves and entertains them. In addition, the incentivised elective viewer choice platform enables brands to benefit from greater insight into their customers' opinions; thereby facilitating increased engagement with brands, strengthening consumers' pre-disposition towards advertisers' messaging and offers.



Adpoints reward process



Source: adpoints.com

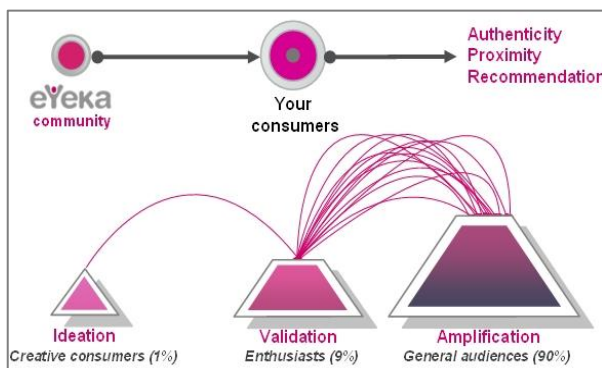
Problem 2 – Companies are struggling in finding ways to create new ideas or test their products with potential clients.

Innovative solution 2 – **EyeKa** is a crowdsourcing platform integrating customers into the innovation process of brands. Through the launch of creative challenges (animation, creative writing, video, graphic design, label and packaging...), customers are invited to **solve real-world company problems** by creating and suggesting new marketing or product ideas. In the end, customers provide the brand with a final project output ready for internal validation, agency inspiration and consumer testing.

The innovative nature of this business model stems from the reshaping of the innovation strategy of brands where consumers are no longer occasionally involved as validators but are now continually engaged as co-creators.

The added-value for brands lies in the discovery of new marketing possibilities thanks to the valuable and creative insight of thousands of consumers over 154 countries. Co-created projects also facilitate reduced uncertainty regarding how the market will respond to the launch of a co-created product.

EyeKa's online contests platform



Source: eyeka.net¹³

Problem 3 – The production of organic food requires higher costs than regular food at each step of the supply chain. As a result, customers face increasing difficulty in finding healthy affordable bio or organic products.

Innovative solution 3 – **KBHFF** is a **member-based and member-driven food cooperative**, which requires members to work at its premises 3 hours per month in order

to benefit from reasonably priced and healthy organic products.

The cooperative is dedicated to the sale of seasonal, organic and biodynamic products, produced by local farmers. To meet customers demand for inexpensive organic food produced without synthetic inputs and chemical additives, KBHFF takes profit from the absence of labour costs and from its short supply chain.

The coop is based on a **social and collaborative model** in which its members support the provision of affordable products and contribute to the improved organisation of the cooperative as a whole. By paying a membership fee of around EUR 15, customers can decide how they plan on contributing, whether it is by working three-hour shifts in one of KBHFF 11 pop-up shops, by joining one of the 5 working groups committed to the development of KBHFF (purchasing, distribution, financing, communication, web-site design, etc.), or by starting some new innovative initiatives, like the research project entitled "EcoHub".

The food cooperative concept serves to **provide customers with best-value** in both the quality and taste of organic products. Inspired by the success of Park Slope food cooperative in New York (USA), the food cooperative concept has rapidly expanded throughout Europe, particularly in Germany and Poland. In addition, the creation of a cooperative model in France is expected for 2015.

KBHFF customers performing their 3hours-shift



Source: samvirke.dk¹⁴

Problem 4 – The ubiquitous presence of adverts, together with the increasing number of misleading advertising generated a growing mistrust towards the claimed effects of products displayed in adverts. As a result, end users are unable to assess the value proposition of products.

Innovative solution 4 – **LogoGrab** is a mobile phone application enabling consumers to scan brand logos in order to generate further information on the companies' products and services, as well as to access other customers' opinions and experience reports.

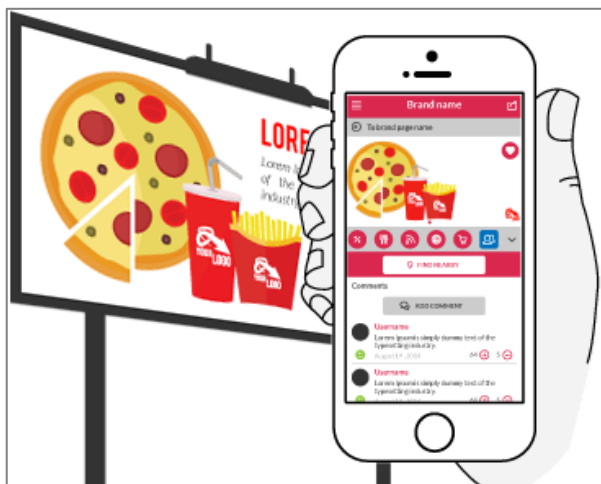
To **keep customers at the forefront of product innovation**, LogoGrab's technology offers multiple



opportunities for reviewing feedback on products which, in turn, enables customers to form their own opinion on brands and decide whether they want to buy specific products or not. Moreover, LogoGrab can serve as a marketing tool for companies since they have access to real-time data about consumers' experiences with their products.

Therefore, the added value of this innovation is two-fold, as it allows consumers to share and benefit from useful information on brands and provides brands with a valuable solution to assess their marketing effectiveness.

LogoGrab's logo scanning concept



Source: www.logograb.com

Problem 5 – The testing phase of a product constitutes a critical step of a new product development process. This step in the product development sequence checks the adequacy and consistency of the end product with its original goals in order to assess the level of refinement required. Therefore, insufficient or ineffective testing phases have led to dramatic results during the market launch of a great deal of new products.

Innovative solution 5 – Sampleo is offering an **advertising solution** to companies by providing an online platform connecting brands with incentivised consumers willing to test new products and share, with brands, their opinion on the product performance, utility, etc.

At the intersection between advertising, product promotion and marketing communication, **“tryvertising”** refers to the opportunity given to consumers to **test products for free** in order to **provide valuable feedbacks** on their experience with the product. Through this marketing technique, Sampleo creates more exposure for products as it directly targets the end users that decide which product they want to engage with.

Increased consumers involvement in the testing phase of new products is decisive for brands to understand their consumers' perspective on a product, their purchase intent

and how they ought to redefine their offer. Thus, by integrating a new product in their consumers' daily life, brands are resetting the interaction between product promotion and consumers.

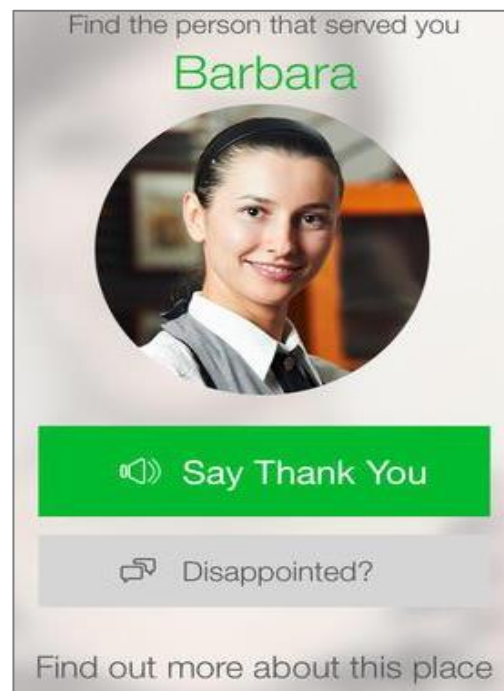
Problem 6 – Employee performance appraisal remains a fundamental matter of concern for businesses willing to reward their best staff members for their performances while boosting the overall team results by motivating the lowest performing staff members.

Innovative solution 6 – Staffino is a mobile application enabling customers to give direct feedback on the quality of the service offered by the employees who served them.

Staffino supports to the human resources departments of companies by facilitating their appraisal of the strengths and weaknesses of their employees as well as their ability to address them over time. In addition, Staffino **facilitates the performance measurement of staff members** and serves as a tool for analysing the root cause of complaints.

New solutions found through customers' direct feedbacks are perceived as more legitimate. Consequently, they are also believed to have the potential to **make a major change in the employees' judgement on their reviews**. Moreover, companies are given the choice to decide whether or not they want to publish the feedbacks' received on their employees which can serve to increase employees' appraisal of the mobile application.

Example of a Staffino feedback interface



Source: staffino.com



3.3. The creation of new markets and jobs

Social and digital technologies have developed a new, more flexible working community for enterprises that may tackle business challenges. This new market is called **crowdsourcing**, which is defined as “business created using digital assets and/or capabilities, involving digital products, services and/or customer experiences, and/or conducted through digital channels and communities.”¹⁵

The internet makes crowdsourcing possible at a macro-scale level and therefore facilitates the positive impact it can have on innovation and cost reduction. These positive aspects are recognised by more and more companies that are increasingly **collaborating with customers to innovate and market products** more quickly and efficiently in an ever changing competitive environment.

For instance, Gartner’s predicts that by 2017, more than half of all producers of consumer goods will receive 75% of their consumer innovation and R&D capabilities from crowd-sourced solutions. In addition, Gartner’s forecast suggests that crowdsourcing will bring companies a competitive edge, for example, consumer goods companies that employ crowdsourcing in marketing campaigns or new product development are expected to boost their revenue by 1% compared to “non-crowdsourced competitors” by 2015¹⁶.

Online communities are the basis of crowdsourcing and have emerged as a “creative class” over the last 5 years. The total membership of the crowdsourcing community is **estimated to be at least 10 million and is expected to grow** in the next few years.¹⁷ These crowdsourcing participants typically combine a traditional job with crowdsourcing activities; however, the coming years will likely lead to the emergence of “crowdsourcing professionals”¹⁸. As a result, companies facing capacity shortcuts (expertise, time or geographies) will have the choice of engaging full-time or temporary crowdsourcing “employers”.

Crowdsourcing platforms also give each participant the opportunity to be creative, as they have the chance to develop their skills (e.g. students that want to improve their marketing skills and free-lancers who want to get greater online visibility, etc.) and be rewarded at the same time.

3.4. Client perspectives and challenges related to the uptake of the trend

The **eagerness of customers to drive and co-create business innovations** is a key driver for the uptake of

customer-driven innovations. In a great deal of successful customers co-created innovations, the success of the product can be partially explained by the end-users’ sense of ownership of the product linked to their active role played in the development process. The increasing economic impact of a “I designed it myself feeling”¹⁹ is leading to an escalating market adoption of the concept of **mass customisation**.

In addition, by using community ideas to generate transformed products or new categories of products, customers can benefit from innovative products that are better aligned with their expectations. In this regard, it is imperative for companies to motivate their consumer communities to avoid a lack of engagement, which would be a barrier for the uptake of the trend.

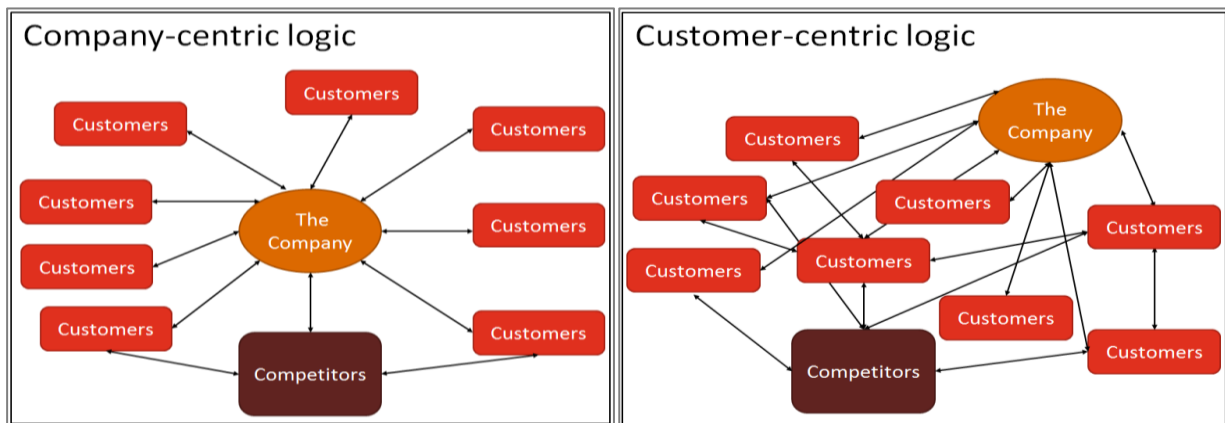
Recent changes in the buying process of customers have also become key drivers of the clients’ uptake of the trend. Irrefutably, companies providing unique and outstanding customer experiences have better chances to secure sustainable and cost-effective growth. Such experiences typically leverage on early user involvement in the design of innovative products to generate valuable market information for companies. The gathered information enables companies to further tailor the innovation for the end-users. In this regard, customers are helping companies to better identify market demand. In this context, the term **“lead users”** refers to customers already experienced needs that will be later experienced by the overall market. In this regard, their insight can help companies to take smarter decisions.

Another fundamental element for the uptake of customer involvement in companies’ innovative process lies in the **education of the market** on the benefits of customer-driven innovations. Indeed, all the showcased companies have experienced some degree of **market scepticism** during the launch of their innovative products or services.

The advantages and disadvantages of this paradigm shift - **from a company-centric logic to a consumer-centric logic** - is unclear (Figure 7 on page 10). It is difficult to measure the net-benefit of a co-created innovation. In this regard, companies that are likely to take advantage from customer-driven innovations are usually reluctant to do so.



Figure 7: Traditional company-centric logic and new consumer-centric logic



Source: PwC Analysis

4. Drivers and obstacles

The further development of customer-driven innovations is supported by important drivers but also hindered by various obstacles. The detection of these drivers and obstacles will serve as a tool to better target the strengths fostering the development of user-led innovations. This identification will also permit to overcome the barriers hampering the growth of the market.

4.1. The need to widen the definition of “innovation”

Sampleo explained how they encountered significant difficulties in getting fiscal advantages such as Crédit Impôt Recherche (CIR), and Statut Jeune Entreprise Innovante (JEI). Although Sampleo proposes an innovative platform to connect customers and companies, the SME was **not considered as being enough innovative** to get access to these financing schemes.

“In France, the definition of innovation is often limited to technological innovation. If there are no R&D activities in the company” – Sampleo

Thus, public funds and investors should not limit their understanding of innovation to technological development, as the concept of innovation also covers management and marketing innovations that are less risky and can generate highly creative and profitable business.

4.2. The growth capital financing gap

Companies showcased within this case study have largely been financially-backed by business angels and private funds. Yet companies, like eYeka, identified a **financing gap**

for companies that are growing but are not yet profitable. As in such cases, financial institutions are reluctant to provide loans and guarantees, while private investors are not willing to make investments below EUR 1 million.

Therefore, this case study identified a so-called “valley of death”, which lies between public financing schemes supporting micro-enterprises and venture capitalists investing preferably in already profitable companies. Consequently there is a lack of interim funds between EUR 100,000 and EUR 1 million for supporting SME growth.

4.3. Lack of awareness of existing support schemes

Showcased SMEs acknowledged that there is a wide range of support schemes at local, regional, national and EU-levels; the same SMEs, however, feel that they are not well enough informed about both traditional and alternative sources of financing and how these can be obtained.

“The issue is that the application processes are both complex and unclear. For instance, I tried to apply for Horizon 2020, it took me two hours to understand that I might not be eligible” – Sampleo

Therefore, there is **inefficient communication** between

support scheme providers and SMEs. For instance, companies find it difficult to:

- Identify suitable points of contact to turn to for advice; and



- Understand the tender specifications of the funding schemes they would like to apply to.

This constitutes a barrier for SMEs which have neither the time nor resources to identify the funds they are eligible for and understand complex application processes. As a result, SMEs are missing opportunities to get access to finance and may fall into the “valley of death”.

4.4. Lack of partnerships with public institutions

According to interviewed enterprises, public institutions usually collaborate with large companies and, as a result, do not provide SMEs with the opportunity to demonstrate their innovative and creative capabilities. The showcased SMEs also believed that this is reflected in complex and demanding public procurement processes which deter SME involvement.

To illustrate this lack, eYeka detailed their thoughts on the difference of public partnership between the US and Europe.

“In Europe, public institutions do not have a culture of collaborating with SMEs.” – eYeka

According to the company, in the US, SMEs are used to working with the government and its agencies (e.g. NASA). Meanwhile in Europe, the public institutions do not share

the same culture of collaboration. Therefore, public institutions ought to give SMEs more chances in gaining visibility to the market and earning the trust of prospective clients.

4.5. Lack of talented people in web-marketing

As social media and other digital technologies are the communication channel through which companies and customers more and more communicate and share ideas, enterprises increasingly need people that are skilled in the field of web-marketing. According to Sampleo, Europe suffers from a **dearth of web-marketing experts** and, as

a result, many European SMEs find it difficult to hire people who are able to create and manage a firm’s online marketing strategy, while maintaining a good client-company relationship.

4.6. Business incubators supporting the growth of SMEs

Through **incubators**, SMEs have access to dynamic entrepreneurial environment where they can benefit from support and strategic guidance. Normally, as underlined by Sampleo (incubated in the EM Lyon incubator at the creation and currently incubated in the Paris Incubator), **SMEs have limited revenues**; having access to a professional business infrastructures in big cities like Paris represents a big chance for SMEs.

4.7. The emergence of a collaborative relationship

The lifeblood of the showcased enterprises are customers that are actively shaping the products and services provided by companies. Online communities provide fora in which customers can share their opinion and feedback. As such, customers need not limit their role to passive buyers but may become active business partners, co-creators and co-designers.

The internet has facilitated the **creation of such online communities** in which customers can share their experiences, propose ideas and express grievances about products and services. Social media and digital technologies have enhanced the relationship between companies and customers. Customers want their suggestions to be taken into consideration by the companies for the creation, development, testing and improvement of products and service, sometimes in exchange of incentives. Customer involvement is increasing and represents a significant asset for the companies which can rely on customers to better develop their businesses.



5. Policy recommendations

In order to simplify or optimise the policy framework for user-driven innovations, this case study provides some practical recommendations. Some of the following recommendations, however, do not exclusively concern enterprises willing to implement customer-led innovations, but also apply to the further development of SMEs in general.

5.1. Create a comprehensive definition of innovation

Numerous subsidies both at national and European level are providing funds for **innovative companies**. Yet, there is no clear definition of what innovation encompasses, nor is there a definition of the specific requirements to be considered as an innovative company.

Several showcased companies were denied subsidies offered to innovative companies because of their lack of investments in R&D or because their innovative solutions do not correspond to a technological innovation. Yet, although the innovation process often requires an excellent level of R&D, it should **not be reduced to R&D**. Therefore, it is necessary to go beyond the simple analysis of innovation only from the perspective of percentage of investments in R&D.

5.2. Improve SMEs' access to finance

Financial support is considered as a cornerstone for the uptake of the market of customer incentives and involvement. The particularity of the finance gap for enterprises active in this field is that they usually need access to external finance in the late stage of their business development. Indeed, a high number of enterprises faces a finance gap between the seed age and the phase of profitable growth. This period is sometimes referred to as the **"valley of death"** due to the harsh insecurity of enterprises having to deal with the lack of sufficient long-term investments during the development phase of their product.

Governments could facilitate the access to finance of innovative companies by **reforming their tax system** in order to further promote innovation. For instance, the Enterprise Investment Scheme (EIS) implemented in the UK consists in the provision of a tax relief in a fiscal year for every investment in innovative start-ups. This incentive was described as especially successful due to the reduction of the risk of investing in start-ups that it creates. Moreover,

the measure is not limited to professional investors, making it possible for any individual to invest in start-ups.

Start-ups have to pay taxes even during the early stages of the development of their company. Yet, many companies are also eligible to a lot of subsidies to establish their company. However, given the difficulties faced during the long process of applying for these subsidies, the majority of interviewed start-ups would prefer to benefit from **tax reliefs rather than subsidies** to support the growth of their company.

5.3. Simplify communications on available funding

Not all entrepreneurs have the skills and time to "decrypt the European documentation" that is often described as **complex and illegible**. A clarification of the EU documentation regarding available EU subsidies and projects is a critical step to improve the further development of innovative enterprises.

The systematic implementation of **one-stop-shops** providing information regarding European subsidies throughout Europe would facilitate the understanding of available EU support to SMEs. These one-stop-shops could further actively provide **legal support** and **advice** to entrepreneurs as well as administrative support to ensure that every start-up seeking to benefit from EU funds receives sufficient information on the process to do so.

In order to ensure that EU subsidies are accessible to a wide audience it is necessary to provide a better picture of EU subsidies by clarifying the requirements and eligibility criteria necessary to benefit from EU subsidies. The publication of a **single directory** gathering all these information could be a suitable and practical medium to do so.

5.4. Engage in more partnerships

Public institutions could genuinely benefit from the solutions provided by enterprises in the field of customer-driven innovations. Moreover, public institutions could also become significant references for companies in this field which would support the further development of customer-driven innovations. However, the huge amount of specific requirements is hindering the development of such partnerships.

In Finland, the creation of a **crowd-sourced legislation** was experimented by the Finnish Ministry for Environment in collaboration with the Committee for the Future of the

"In the UK, start-ups have really benefitted from the Enterprise Investment Scheme (EIS)" – Adpoints



Finnish Parliament. With such active public involvement, this initiative promoted citizen participation and input in the law-making process of democratic countries.

In addition, a Finnish non-profit organisation created with **Open Ministry** a crowdsourcing platform to facilitate the involvement of citizens in the creation and concrete drafting of new legislations. The platform serves as an effective instrument to adapt new policies to the needs of citizens and to engage them in a true deliberative democracy.

*“Entrepreneurs do not have the time to decrypt EU documentations – **Sampleo***

In this regard, echoing the “Recommendation CM/Rec (2009)1” on electronic democracy (e-democracy) of the Council of Europe’s Committee of Ministers to member states, governments should take further steps towards establishing e-democracy.²⁰

5.5. Encourage the creation of technology hubs

Technology hubs, incubators and **accelerators** have been depicted as important drivers for the growth of the enterprises that were interviewed for this case study.

Technology hubs proved particularly efficient in supporting start-ups willing to develop innovative ideas by creating an environment where start-ups can work and leverage on the experience of other SMEs. The presence of universities and

*“The french ‘Réseau Entrepreneur’ is a very effective policy” – **Sampleo***

centres of excellence combined with the availability of a wide array of services such as experts of various cutting-edge technologies, experts of PR and marketing, lawyers, etc., constitute an environment favourable to entrepreneurship and the risk culture



6. Appendix

6.1. Interviews

Company	Interviewee	Position
Adpoints	Martin Pugh	CEO
Eyeka	Francois Petavy	CEO
KBHFF	Andreas Lloyd	Co-Founder, CEO
LogoGrab	Luca Boschin	Founder, CEO
Sampleo	Edouard Crémer	CEO
Staffino	Katarina Klinkova	CSO

6.2. Websites

Adpoints	www.adpoints.com
Eyeka	www.eyeka.net
KBHFF	www.kbhff.dk
LogoGrab	www.logograb.com
Sampleo	www.sampleo.com
Staffino	www.staffino.com

6.3. References

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³ Customer involvement into innovation processes: A conceptual model, Aiste Vaisnore, Monika Petraite, Kaunas University of Technology

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⁹ <http://www.smartinsights.com/digital-marketing-strategy/customer-acquisition-strategy/prioritising-digital-marketing-radar>.

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¹⁴ <http://samvirke.dk/forbrug/artikler/koebenhavns-foedevarefaelleskab-frivillige-groent-formaal.html>.



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- ¹⁶ <http://news.eyeka.net/2013/10/what-is-the-roi-of-crowdsourcing-eyeka-first-to-demonstrate-how-crowdsourcing-increases-return-on-marketing-investment-through-case-studies>.
- ¹⁷ <http://www.crowdsourcing.org/editorial/eyekas-francois-petavy-five-predictions-for-crowdsourcing-in-2014/30116>.
- ¹⁸ <http://www.crowdsourcing.org/editorial/eyekas-francois-petavy-five-predictions-for-crowdsourcing-in-2014/30116>.
- ¹⁹ Franke, Nikolaus et al. *The "I Designed It Myself" Effect in Mass Customization*, Management Science (October 16, 2009).
- ²⁰ <https://wcd.coe.int/ViewDoc.jsp?id=1410627>.