Perils of collaborating with B2B customers

Impact on product performance

In business-to-business (B2B) markets, the value delivery strategy has shifted from an entrepreneur-centric to an interactive model. This new model is based upon active collaboration between buyers, sellers, and other external entities. Indeed, in B2B contexts, collaborating with customers has become a source of competitive advantage. Customers can serve as a vital source of information, contributing to a firm’s innovation-related initiatives and product development. Nevertheless, some research raises concerns regarding the extent to which B2B firms should collaborate with customers.

Despite the pivotal role customers play in product development, there is a scarcity of research that examines buyer-seller collaboration aimed at enhancing product performance. Furthermore, the existing research has focused on the positive aspects of collaboration, hence providing an incomplete understanding of the phenomenon. The purpose of this research is to provide a better understanding of this practice by examining the impact of customer collaboration effort (CCE) and firm collaboration effort (FCE) on product performance.

User entrepreneurs in B2B markets

The context of the study is user entrepreneurs in the B2B domain. User entrepreneurs initiate the development and commercialization of new products that are largely overlooked by existing players in the market. These entrepreneurs face challenges in their personal or professional lives stemming from the lack of suitable market offerings. The entrepreneur’s unfulfilled need or unsatisfactory experiences drive their desire to address the problem through some self-initiated solution. User entrepreneurs can then decide to make their solution available to a broader audience to seek financial gain in addition to personal benefits. Teflon, PackIt, and Spanx are examples of products developed by user entrepreneurs.

What is customer co-creation?

User entrepreneurs are usually embedded in communities of entrepreneurs and other users. These communities provide critical information and feedback, share resources, and participate in product testing. Customers may possess information that may be unknown to the entrepreneur and critical for innovation. Hence, customer involvement in new product development may enable B2B firms to align their offerings in accordance with the buyer’s precise needs. In the industry, we are seeking a paradigm shift where the role of the customer has evolved from being a passive recipient of market offerings to one where they actively collaborate in product creation. This practice of collaboration is identified in the marketing literature as customer co-creation. Although research generally advocates customer co-creation as a driver of competitive advantage, there is some contrasting evidence suggesting otherwise. The latter group indicates the complexity of B2B markets where each customer has distinct requirements and preferences. Hence, collaborating with customers could result in the misalignment of product goals, suboptimal resource
utilization, and undesired outcomes. In sum, the authors argue that while customer co-
creation may be beneficial to a certain point, an excessive level may result in negative
outcomes for B2B user entrepreneurs.

What are firm and customer collaboration efforts?
Collaboration is a broad term, and in this study, it is disaggregated into FCE and CCE. FCE
refers to the firm’s tendency to engender a greater level of participation from their
customers. Such firms create an internal culture that fosters direct engagement with
customers during product development. Further, firms with higher FCE develop capabilities
and procedures to internalize knowledge gained from customer-firm collaboration. Such
knowledge transfers ultimately can translate into modifications and improvements of
products. The authors hypothesize that FCE would positively impact product performance.
On the contrary, CCE indicates the customer’s willingness to share product requirements
and usage experience with firms. Firms with high CCE are active partners who provide
immediate feedback that entrepreneurs can utilize to refine their market offerings.
Accordingly, the authors offer a hypothesis that suggests CCE would be positively related
to product performance.
Finally, the authors caution about the level of FCE and CCE. Excessive levels of either type
of collaboration may generate insights that could be counterproductive to new product
development. Beyond a certain level, entrepreneurs may suffer from information overload or
be exposed to ideas that derail them from the core product idea, hence negatively affecting
performance. Thus, the authors offer an additional hypothesis that predicts a curvilinear
relationship (\( \gamma \)) between collaboration and product performance whereby, beyond a
certain level, there will be a negative relationship.

To test their research propositions, the authors surveyed 255 user entrepreneurs based in
the United States. Some of their key research findings and implications are now discussed.

Research findings and implications
To recap, this paper aimed to examine the potential downsides of customer collaboration
on product performance in the context of B2B user entrepreneurs. The authors find support
for this argument through their research, whereby collaboration indeed has a curvilinear
relationship. This finding is important as prior research has predominantly emphasized the
positive aspects of customer collaboration. Based on their research findings, the authors
offer the following implications for managers:

- B2B managers should be aware of the potentially negative effects of customer collaboration;
- unlike business-to-consumer (B2C) contexts, B2B is characterized by complexity and
  heterogeneity, which makes customer collaboration risky;

Customers can serve as a vital source of information,
contributing to a firm’s innovation-related initiatives and
product development.
nevertheless, firms must not refrain from engaging in customer collaboration as some degree of CCE will yield positive outcomes;

firms can take advantage of CCE to gain market insights, acquire resources, and develop capabilities;

however, upon acquisition of such resources, B2B firms must trust their own instincts to develop market offerings; and

managers can develop baselines for collaborating with customers, whereby they set limits for the level of information they will adopt and overlook.

Comment

This review is based on “How much customer collaboration is too much” by Saurabh Srivastava, Pramod Iyer, Arezoo Davari, Wallace A. Williams Jr. and Perry L. Parke, published in Journal of Business & Industrial Marketing.

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