Customer interaction and innovation in Creative-Intensive Business Services: a framework for exploring co-innovation in advertising agency-client relationships

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The purpose of this paper is to contribute to understand clients’ involvement in the innovation of creative-intensive business services, namely advertising services. Research shows that agency–client relationships are critical to campaign creativity, customer satisfaction and agency performance, but little evidence exists on collaboration with clients for agency’s innovation. In order to fill this gap, a framework is developed for the analysis of agency-client co-innovation by integrating studies on customer involvement, service innovation and relationship marketing. This is followed by an exploratory case study of an Italian successful agency aimed at getting insights into clients’ role and involvement in its innovation processes.

1. Introduction

The service management literature has widely documented the prominent role of customers as service co-producers and its implications for innovation processes of firms in this sector. During the last years, an increasing attention has been devoted to the involvement of customers as service co-innovators and a number of studies have addressed strategies for proactive exploitation of customers’ knowledge inputs and collaboration in innovation processes. However, most studies are founded on the new service development perspective, focusing on customer integration in planned, formalised projects. It can be thus argued that the heterogeneity of service innovation types (other than new services) and processes is to some extent overlooked and further research is needed to enhance the understanding of antecedents, practices and outcomes of customer involvement in different service innovation settings.

In this regard, creative-intensive business services (CIBS) – including advertising, architecture, design – provide a rich, though unexplored, research field to investigate customer involvement given the important role of clients as co-producers and source of knowledge. As for other knowledge-intensive business services (KIBS), CIBS provision is the result of an intense co-production process that requires in-depth interactions between provider and client and both parties are involved in cumulative learning processes and knowledge exchanges (den Hertog, 2000; Muller; Zenker, 2001). Notwithstanding the increasing attention devoted to these services and their importance within innovation systems (Bakhshi; McVittie, 2009), there has been little detailed examination of the impact of provider-client collaboration on innovation processes of CIBS providers. Indeed, existing studies mostly focus on their contribution to the innovation capability of their clients (He; Wong, 2009).
The purpose of this paper is to provide a conceptual contribution for advancing knowledge on the role and practices of client involvement in CIBS innovation, with particular reference to advertising agencies. The interest for this specific industry is motivated by the highly innovative and interactive nature of advertising services when compared to other CIBS. Indeed, the production of these services is based on the combination of symbolic, tacit and highly personalised knowledge that cannot be easily codified into manuals, software codes, databases (Ewing; West, 2000). This is reflected in their intrinsically innovative nature: not only standardisation and reproducibility are hardly to achieve but would even be inappropriate since they are likely to decrease the value of these services for clients. For the very nature of the knowledge embodied in the creative process, an in-depth, “emphatic” interaction with clients is required in order to collect client-specific inputs (e.g. relating to its mission, values, strategies, brand identity) and translate them into creative ideas. In other words, advertising services are the result of intense, mutual understanding and unique relationships with clients, which are thus naturally strongly involved as service co-creators. However, little research exists on the role of agency–client collaboration in nurturing agency’s innovation processes. In order to fill this gap, this paper develops a conceptual contribution for understanding client involvement in advertising agencies’ innovation, by integrating three streams of research: (i) service management and innovation, (ii) relationship marketing, and, (iii) customer involvement in service innovation. When analysing the advertising industry, indeed, studies tend to exploit the interpretive lenses referable to service management and relationship marketing. Adopting the service management approach (Parasuraman; Zeithaml, 1983; Grönroos, 1990), several studies take into consideration the importance of the people factor for the innovation outcome of the relationship, as well as, the participation of clients in the production process (a.o., Grabher, 2002; Fam; Waller, 2008; Zolkiewsky et al., 2008; Duhan; Sandvik, 2009). At the same time, relying on the relationship marketing literature (Morgan; Hunt, 1994), several studies stress the role of trust and commitment for the effectiveness of agency-client relationships (a.o. Wackman et al., 1986/1987; Fam; Waller, 2008; Duhan; Sandvick, 2009; Davies; Prince, 2010). However, the output of the relationship in terms of innovation is under-explored (de Waal Malefyt; Morais, 2010); moreover, the client is considered to be naturally involved in agency’s production processes because of the intrinsic nature of creative services, but a deliberate agency’s strategy is not systematically considered (Beard, 1996); finally, studies mainly adopt the point of view of the client (Koslow et al., 2006), while they do not investigate how agency can benefit from client involvement. Our study is positioned at the intersection of these three research fields and, drawing on their multiple results, proposes a multi-dimensional framework for exploring co-innovation processes in advertising agency-client relationships.

The paper is structured as follows. In the next section the literature on customer involvement in service innovation is reviewed to gain insights into key elements of co-innovation, including lead user issues. Section 3 focuses on innovation forms in CIBS, with particular reference to advertising services. Also, the specific features and role of client-agency relationships for creativity and innovation are examined. Section 4 proposes a conceptual framework that identifies the key dimensions to be investigated to explore client involvement in innovation of advertising services. In Section 5 the framework is applied for the analysis of clients’ role and participation to innovation processes of an Italian successful advertising agency. Finally, in the last section some conclusions and directions for future research are provided.
2. Customer involvement in service innovation

Recent years have witnessed an increasing interest in the collaboration with customers for the purpose of service innovation. Customer involvement in service innovation activities is deemed even more important than in product innovation given the “natural” prominent role of the customer in service co-production (Sundbo, 1997). Several studies support customer participation in the innovation process as a key factor for successful new service development (NSD) and recommend service companies involving their customers as co-innovators in order to develop superior and differentiated new services, reduce development time, costs and uncertainty, improve producer-user relationships, obtain higher value and profits (de Brentani; Ragot, 1996; Alam, 2002; Edvardsson et al., 2006). This growing research body tends to focus on key dimensions of customer involvement, including the types of customers to involve, the stages of the NSD process in which they should be involved, the modes of interaction (Alam, 2006; Sandén et al., 2006).

Studies addressing the first dimension have mostly focused on the applicability of the lead user concept that identifies a subset of users who “face needs that will be general in a marketplace months or years before the bulk of that marketplace encounters them and are positioned to benefit significantly by obtaining a solution to those needs” (von Hippel, 1986, 796). Evidences on this issue are still fragmented and partly contrasting. In a study on banking innovations, von Hippel and Oliveira (2009) found that most of the novel services introduced by US commercial banks were preceded by self-provision of functionally similar or identical services by users. Matthing et al. (2006) support the effectiveness of involving leading edge users in innovation of new technology-based services (e.g. mobile telecommunication, Internet banking, geographic positioning), showing that technology readiness (i.e. a state of mind that determines the predisposition towards new technologies) is appropriate for identifying lead users and is positively correlated to their ability and motivation to generate new creative ideas. With regard to the same sector, Kristensson et al. (2008) confirm that customer involvement is more likely to be successful if users are intrinsically motivated by an apparent personal benefit from their ideas. They further suggest that successful NSD requires the involvement of a heterogeneous group of customers to ensure that a diversity of ideas is generated. In a study on new financial services, Alam (2006) recommends to involve lead users but to conduct further probes into lead user input by discussing their ideas with a large sample of ordinary customers. Other studies (Kristensson et al., 2002, 2004; Magnusson et al., 2010) support the involvement of ordinary users as valuable sources of inputs for the innovation of mobile telecommunication services: the lack of technical knowledge is not a drawback but rather an asset since it induces users to “think outside the box” contributing their capability to produce more creative ideas than professional developers. Finally, the study by Sandén et al. (2006) shows the differences between business and consumer services: the first tend to involve expert customers, whereas B2C firms collaborate with financially attractive customers.

Other studies focus on the stages of the NSD process in which users should be involved. This body of research shows that customers can be usefully involved throughout the process (Alam; Perry, 2002; Abramovic; Bancel-Charensol, 2004), but their role seems to be more important in its early phases. For instance, Alam (2002; 2006) suggests that intensity of customer interaction should be higher at the front-end stages of idea generation and screening since they are more critical, more complex and more time consuming than the others. Also the study by Kuusisto and
Riepula (2008) on business services (cleaning and security, financial, ICT) shows the important role of customers in the initial stages of the innovation process. In their case analysis, clients are found to act as catalysts of innovation as their suggestions/requests often trigger the initiation of a formal NSD project. Moreover, it is found that clients’ commitment to adopt the potential new service is often crucial to secure the necessary resources for its further development. Also the study by Toivonen and Tuominen (2009) highlights the significant role of clients as primary driver of innovation in KIBS and in particular of ad hoc innovation processes. More in detail, their results confirm previous evidence on the heterogeneity of service innovation processes (e.g. Sundbo, 1997; Sundbo; Gallouj, 1998), ranging from the traditional R&D model to a “practice-driven” model where innovations are not the result of a deliberate activity but emerge during the service provision on the basis of specific clients’ needs and are recognised as such only a posteriori. In the latter, the clients’ role is not limited to providing information, feedback and/or the opportunity for testing the new service, but is instrumental in initiating the innovation process itself and in co-producing the new service solution. Studies in this area also indicate that the intensity of user involvement can vary widely across the stages of the development process. According to Alam (2002), it can be described on a continuum, ranging from: a) passive acquisition of user inputs, to b) collection of information and feedback on specific issues, c) extensive consultation with users and, d) full representation of customers within the new service development team. In the scale proposed by Sandén et al. (2006), the degree of customer involvement varies from no participation to customers as sole developers; between these two extremes it increases from customers as informants, to experts and, to co-development partners.

A number of contributions address the modes of customer involvement with the aim to investigate their effectiveness in acquiring user knowledge. In his seminal study Alam (2002) identifies multiple modes - including face-to-face interviews, user visits, brainstorming, user’s observation and feedback, focus groups – that can be usefully combined at various stages of the NSD process. Kristensson (2006) classifies the different modes into three categories, stressing that the success of collaboration depends on their appropriateness for the specific information needs within the innovation process. “Say” methods (e.g. interviews, focus groups, surveys) are suitable to collect information about perceptions and experiences with existing products, while “see” modes (e.g. observation, ethnography) are appropriate to understand customers’ use of products during the prototype phase. When the aim is to get creative inputs for new products “make” methods are more effective as they enable customers to create solutions on their own in a specific situation. Similarly, other studies (Gustafsson et al., 1999; Magnusson et al., 2003; Matthing et al., 2004; Lundkvist; Yakhlef, 2004) stress the advantage of using non-traditional market research methods - including customer observation in real situations, activation of users into problem solving, users integration in R&D teams - that are characterised by a more active involvement of customers.

This brief review shows that most studies appear to be focused on a limited range of services, namely production-intensive sectors (e.g. banking and other financial services, telecommunications) where innovation is primarily developed through formalised NSD projects. While this is consistent with the early, exploratory stage of an emerging research body, further development of the field requires additional efforts to examine customer involvement issues within other relevant service industries, such as CIBS, in order to advance the current understanding of service co-innovation practices.
3. The innovation processes in the advertising industry and the role of client-agency relationship

Research studies on innovation processes in the advertising industry have been scant and those addressing the issue of the client’s contributions even scarcer. Indeed only few researchers have applied the innovation perspective to the creative industries, essentially due to the predominance of aesthetic issues in creative products (Miles; Green, 2008; de Waal Malefyt; Morais, 2010). A notable exception is the analysis by Green et al. (2007) that focuses on the types of innovation pursued in creative industries and, drawing on den Hertog (2000) model for conceptualising service innovation, proposes the “Diamond of innovation”, whose dimensions are: Cultural Product, Cultural Concept, User Interface, Delivery, Process of Production and Technology. According to these authors, in creative activities the “everyday problem solving” plays a crucial role, because it leads to a series of small and emerging innovations shaping the final creative product. For this reason, they introduce the process dimension, generally ignored by innovation survey in creative industries. Moreover, they stress the difference between the Cultural Product and the Cultural Concept: the former represents the physical vehicle that carries the cultural meaning, while the latter corresponds to the information content of the product. The authors argue that four dimensions of their Diamond model – namely, Cultural Product, Cultural Concept, User Interface and Delivery – are particularly important for creative industries, as they allow to capture “hidden innovation”, i.e. innovation activities that are not recorded using traditional indicators.

Another important contribution in this area is the study by Miles and Green (2008), which explores hidden innovation in creative industries and, among others, focuses the attention on the advertising industry. Their results show that creative firms are innovative and more prone to undertake wider innovation than firms in general. In particular, innovation in creative industries goes far beyond the technological dimension, embodying also changing in marketing concepts and strategies, new organizational structures and advanced management techniques. These authors propose a conceptual framework, which categorizes innovations in terms of the various sites of the firm’s business processes where they are located: Creative firms; Production and Pre-production; Product; Communications; and, User experience. This study is therefore particularly relevant, being one of the few attempts to consider client experience and co-production activities in the analysis of innovation in creative industries. The authors, in fact, underline that among the most important trends that are re-shaping the creative firms’ innovation processes is the active and direct involvement of the clients. More specifically, their analysis of the UK advertising industry highlights that, on one side, agencies promote themselves as “innovation partners” for their clients and that, on the other side, interaction with clients is becoming for agencies the main source of innovation. Therefore, it is not surprising that Miles and Green’s report registers a boost in the intensity of agency-clients relations, with increasingly close inter-

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1 The author underlines that service innovation is rarely limited to a change in the characteristics of the service product itself; more often, innovation represents a broader concept, which coincides with new pattern of product, distribution, client interaction, quality control, and so on. Thus, the author distinguishes four dimensions along which service innovation can be classified, that are service concept, delivery, user interface, and technologies.
actions being sought. Notwithstanding these indications of increasing relevant co-production dynamics for innovation processes in the industry, there is a lack in the literature concerning the role of client in co-innovation of advertising services. Indeed, although considerable attention has been devoted to advertising agency-client relationships, especially during the 1980s and 1990s (Michell, 1986/1987; Wackman et al., 1986/1987; Beard, 1996; Waller, 2004; Zolkiewski et al., 2008; Duhan; Sandvick, 2009), “innovation and collaboration in advertising have rarely been treated together” (de Waal Malefyt; Morais, 2010, 336). In fact, most studies on advertising agency-client relationships are aimed at understanding the nature of this linkage, at comparing client and agency perceptions, at identifying factors that lead to agency selection and reasons for agency-clients splits (Henke, 1995; Fam; Waller, 2008). Particularly interesting for the purpose of this paper are those studies that have analyzed, on one side, factors shaping good advertising agency-client relationships and, on the other side, the outcomes of such relationships. As to the former, studies have underlined the crucial importance of “relationship factors”, and of trust in particular (Wackman et al.; 1986/1987; Duhan; Sandvick, 2009; Fam; Waller; 2008), and of the “people factor”. The main attributes of the people factor are represented by personnel quality, mutual agreement and understanding, reputation for integrity and interpersonal compatibility (Cagley; Roberts, 1984; Wackman et al., 1986/1987; Fam; Waller, 2008; Zolkiewski et al., 2008). Moreover, some researches have found that in the relationship with the agency clients tend to hold the power (Davies; Palihawadana, 2006; Zolkiewski et al., 2008). Turning to the outcomes of advertising agency-client relationships, the literature highlights that its nature is critical to the success of both parties (Michell, 1986/1987; Duhan; Sandvick, 2009). Koslow et al. (2006) assert that clients are able to influence the creativity of their advertising agency, because they have control over three critical dimensions: first, they set the direction; second, they provide several forms resources for the agency (budget, consumer researches, time); and, third, they evaluate the advertiser activity. As a result, often clients (and especially sophisticated ones) receive what they perceive to want, as a “self-fulfilling prophecy”, which dampens, rather than promotes, advertiser creative outcome. In their analysis of the literature about the relationship performance, Duhan and Sanvick (2009) point out that several dimensions have been used to identify agency performance, and namely: the creative output; the account service quality; the value for money; the campaign performance; the usefulness; the client satisfaction with agency’s performance.

4. A framework for the analysis of the client role in advertising agency’s innovation

With aim of exploring co-innovation in advertising agency-client relationships, a conceptual framework has been developed based on the integration of the examined research streams. More in detail, the proposed framework (figure 1) identifies the key dimensions to be investigated for understanding clients’ role and involvement in advertising agency’s innovation processes.
(1) Advertising agency’s innovation forms
Drawing on previous studies on service innovation (a.o. den Hertog, 2000) and on recent analysis in the advertising industry (Pratt, 2006; Green et al. 2007; Miles; Green, 2008) in this paper we adopt a broad definition of innovation, which goes well beyond both the creative content of the advertising campaign and the technological innovation strictu sensu. In particular, we refer to the six forms of the Green and Miles’s (2008) “diamonds of creative industries”: Cultural Product, Cultural Concept, User Interface, Delivery, Process of Production and Technology. This framework is considered to be an effective synthesis of the multi-dimensional nature of innovation in creative industries. In particular, along with originality in the content of the advertising campaign and with the technological improvements, it allows to take into account other important forms of innovation, including new marketing concepts/strategies, organisational structures and advanced management techniques. Indeed, all these aspects concur to define the agency’s innovative capability in the long-term, and, in ultimate analysis, they contribute to the achievement of a competitive advantage.

(2) Client’s innovation-conductive characteristics
With regard to relevant client’s characteristics that can facilitate co-innovation processes, the potential application of the lead user concept in this context represents a relevant issue to be explored. In this direction, one key attribute of lead users is their motivation to contribute ideas that will render them a significant benefit. As von Hippel (1986, 797) specifies, “the greater the benefit a given user can obtain from a needed novel product or process, the greater his effort to obtain a solution will be”. While not explicitly addressing this issue, Bettencourt et al. (2002) provide some indications for the interpretation of this concept in the context of knowledge-intensive businesses services. In their study on client co-production management strategies, it is proposed that client motivation to work as partners with the provider and to devote the necessary resources to make the project successful is linked to the strategic priority of the project within the client firm as well as to the complexity and level of customization of the desired solution. This can be also the case of advertising agencies, where it is likely that clients demanding high value-added, ad hoc solutions are in the best position to generate and share new ideas and knowledge. Indeed, as Tikkanen (2002) observes in her interesting classification of advertising services, the provision...
of specialist as well as strategic consulting services (e.g. advertising campaigns, brand identity creation, communication planning, CRM marketing planning, profile analysis) requires the client to actively participate in the value creation process and to exchange business-specific information and knowledge through an intense working relationship with the agency.

Closely linked to the lead user issue is clients' level of sophistication or in-house expertise and its potential influence on collaborative innovation. In this respect, an interesting insight is provided by Koslow et al. (2006) analysis of clients' influence on advertising creativity, in which it is found out that sophisticated clients with high levels of experience, expertise and understanding of advertising tend to suppress agency's creativity. If client's high level of expertise can translate into an inflexible, know-it-all behaviour that hinders innovative efforts, it can be argued that, on the other hand, their knowledge, skills and abilities can provide a source of valuable inputs for the generation and development of new ideas. Therefore, this dual role of client's sophistication deserves careful examination in order to understand not only its final influence (i.e. positive or negative) on co-innovation possibilities but also the type of client’s knowledge and abilities (i.e. specialised or wide-ranging) that best favour collaborative development. For instance, in their analysis of advertising knowledge strategies, Ewing and West (2000) show that agencies can significantly benefit from interaction with multi-brand clients as it increases the opportunities for the cross-fertilization of intellectual capital from one account to another. Thus, a relevant specific issue to explore is the potential contribution of single-brand versus multi-brand clients to agency’s innovation processes.

The relative importance of client’s motivation and expertise in nurturing co-innovation processes is likely to be influenced by their openness to exploration and experimentation of new ideas. In this respect, there is evidence that clients’ open-mindedness is crucial for campaign creativity, for the development of innovative methodologies and for client’s willingness to work interactively with the agency. In particular, literature shows that the client’s "lack of daring" can negatively affect the effectiveness of a campaign: conservative and risk-adverse clients, who prefer tried and tested approaches to more experimental ones, have a detrimental impact on agency’s creativity and attempts to explore innovative development opportunities (El-Murad, West, 2003; Koslow et al., 2006; Zolkiewski et al., 2008).

Finally, it can be reasonable expected that client’s financial attractiveness represents a further relevant characteristic of co-innovating clients. As the amount of budgets dedicated to advertising development supports campaign creativity (Koslow et al., 2006), it is likely that clients’ spending capability can also foster exploration and innovation activities in general. Besides, agencies are obviously very motivated to build and maintain long-term, close relationships with big-spenders devoting their resources and efforts to the development of positive, win-win interactions.

(3) Client’s role in the innovation process

The investigation of clients’ role requires careful consideration of the distinctive features of innovation processes in advertising firms. Although the industry is characterised by high levels of innovation activity, innovation processes tend to be spontaneous or ad hoc, not managed according to a R&D model: the generation and selection of new ideas are rarely formalised and planned, and innovation management itself is seldom identified as a discrete activity (Miles; Green, 2008). Accordingly, client involvement in innovation can be hardly addressed with reference to a formalised, structured process with separate and sequential stages, which is likely to characterise only larger agencies that allocate dedicated resources to research and develop-
ment programmes. The analysis of clients’ contribution has to be related also to casual, emergent innovation processes that are intertwined with the actual service delivery and are undertaken on behalf of clients in the course of campaigns. In this type of processes clients can play a prominent role in the idea generation by posing specific problems that drive the agency to conceive and develop new ideas or solutions in order to meet their needs. Thus, the client can primarily act as a driver of innovation by triggering the initiation of a development project during the working relationship with the agency. Besides, clients can contribute as a source of information and competence on specific issues within the whole innovation process, regardless of its actual configuration. For instance, they can support the conceptualization, screening and evaluation of potential new creative contents and products with in-depth knowledge of specific markets or brands deriving from their experience and/or from in-house marketing research. Also, they can be involved in the innovation process as pilot customers supporting the experimentation and trialling of new services, methods or tools during the development of the campaign.

Moreover, the degree of client integration in the process can vary widely, from a least intense level where they are involved merely as informants to a highest level where they are active co-developers of the innovation contributing their resources and expertise for the generation and development of new ideas together with the agency.

(4) Modes of client involvement
Also with regard to the analysis of modes of client involvement in innovation, the specific nature of agency-client interaction has to be taken into account. Beside the traditional involvement techniques based on one-way information exchange between the provider and the client (e.g. focus groups, interviews, customer visits), more informal and interactive modes, such as brainstorming and client integration within ad hoc teams, are likely to particularly relevant as they maximise the opportunities for interorganisational learning. Indeed, they appear to be particularly suitable for exchanging and sharing tacit, symbolic knowledge that is dominant in the production of advertising services (Hermelin, 2009). This is actually reflected in the increasingly widespread practice of advertising agencies to form joint project teams that allow for direct, continuous communication between agency and client staff and campaign co-creation. This exemplified by the case of Mother, a London and New York-based advertising agency that creates campaigns for an array of major brands including Coca-Cola, Unilever, Orange. The agency has implemented a highly collaborative approach, which allows clients to work directly with creative and other agency staff without any middlemen, such as account executives, within dedicated, ad hoc teams working on the project. The intention of this approach is to distribute the agency-client relationship across all team members so to as ensure direct, informal interaction for the co-creation of the campaign (Dawson, 2005). This logic of interactive dialog can also be found in the innovation laboratories established by some of the largest UK communications agencies in order to assist their clients in exploring business and product development opportunities, as reported by Miles and Green (2008). These represent an interesting, emerging form of co-innovation facilities that ideally support intense learning-by-interacting processes.

Being understood that personal and face-to-face contacts play a vital role in this context (Hermelin, 2009), client involvement can be usefully managed also by leveraging ICT tools for improving agency-client interface. A wide range of applications are currently available for advertising agencies that facilitate communication flows and provide collaborative electronic work environments for creative production, including extranet tools, proprietary and open web-based platforms. Technological development,
digitalisation, web 2.0 that have recently reshaped the advertising industry scenario represent a strong stimulus and support to co-innovation with clients. Indeed, more constant and stronger interactions between advertiser and client are claimed as a major benefit of web-based communications, with the result of a more intimate working relationship. Innovative use of new ICT is becoming in fact an important mean to cementing such relationship, as proved by the growth of “on-line zones”, where clients help develop and reinvigorate campaign (Miles; Green, 2008).

(5) Agency-client relationship management
A final crucial dimension to take into account is agency-client relationship management. In this respect, it is important to investigate which kinds of relationship are more likely to generate effective co-innovation processes. The first feature to explore is the degree of formalisation of the relationship. Advertising agency can manage relationship with client and control relational risk through informal mechanisms of governance (e.g. trust or reputation) as well as through formal instruments (e.g., contracts and procedures for monitoring). Scholars have emphasized that trust and formalization may act as substitutes (Das; Teng, 1998) or as complements (Poppo; Zenger, 2002), and that both of them have a variety of performance effects (a.o., Sydow; Windeler, 2003). It is therefore necessary to explore whether a higher degree of formalisation facilitates co-innovation processes, and, on the contrary, under which conditions informal relationships based on trust and reputation are preferable. The issue of the governance mechanism becomes more crucial as the relationship tends to turn in a long-term linkage – as it typically occurs in the advertising industry (Miles; Green, 2008) and the involvement of client in co-innovation processes grows. Another key issue to address is the link between the strength of ties and the contribution of client to the advertising agency’s innovation processes. Strong ties, based on closeness, trust and cohesion between partners, have been found as preferable in fostering innovation in KIBS (Amara et al., 2009). However, if, on one side, strong ties promote the exchange of complex information by stimulating social control and exchange repetition, on the other side, weak ties - associated with infrequent contacts, low reciprocity and intimacy, and weak emotional commitment - can provide more heterogeneous sources of knowledge thank to non-redundant information (Granovetter, 1973; Burt, 1992; Capaldo, 2007). When analysing the role of client in agency’s innovation, it is therefore necessary to explore the influence that the interpersonal links between the two organizations generate on the implementation of effective co-innovation processes.

5. Client involvement in advertising agency’s innovation: an exploratory case study

In order to validate our framework and get initial field insights into the examined phenomenon, an exploratory case study has been conducted. This method allows in-depth insights into emerging fields and is particularly appropriate for addressing “why” and “how” questions of the phenomenon under investigation (Yin, 2003). Therefore, it appears to be suitable given the emerging nature as well as the exploratory phase of this research. A five-stage process model for case-based research (Stuart et al., 2002) has been followed organising the study design according to these steps: 1) definition of the research questions; 2) development of the case study protocol and case selection; 3) data gathering; 4) data analysis; and 5) dissemination
of research findings. Our fundamental research question was how clients can be successfully involved in advertising agency’s innovation processes. As highlighted before, our interest is in finding out deliberate strategies of client involvement with the final aim to improve the agency’s innovation capability in the long-term. This conception of involvement is different from merely “intercepting” client’s inputs (without a planned strategy) during the “natural” process of service co-production. This general objective was specified by the following questions: Which types of clients should be involved by the agency in order to improve its innovative output? Which role have to play the involved clients, and in which phase of the innovation process? Which modes of involvement have to be implemented for an effective co-innovation process? Which types of advertising agency-client relationships foster agency’s innovation processes?

Case selection was focused on successful companies that can be considered as exemplary cases of effective strategies and management practices. To this end the selection was focused on Italian agencies that have achieved positive and increasing economic performance (e.g. turnover) in the last years and serve a portfolio of international clients. The identification of potential firms to involve in the research has been based on available industry statistical data as well as on discussions with industrial experts. Data was gathered through a face-to-face interview with the agency’s managing director. To this end a semi-structured interview guide has been developed based on the conceptual framework in order to collect information on agency history, general business characteristics, innovation processes and clients involvement practices. The interview has been conducted in June and lasted about 1 hour and half. Collected data have been recorded and transcribed for analysis and supplemented with document analysis (agency website, press releases, brochures).

The case study concerns a digital communication agency with advanced expertise in interaction and web design, mobile and social media marketing, founded in 2007. In 2009, the agency became part of a leader holding company operating on Italian and international markets, which incorporates a number of companies offering a comprehensive range of service in order to meet all segments of the digital market. The agency’s services span from brand identity research to the development of CMS (content management system) platforms, from web content management to article marketing, from the planning of SEO (search engine optimization) to social media marketing. In few years, the company has experienced a rapid growth and has achieved a renown position on the international market. Nowadays it operates with 40 employees dislocated in Milan (headquarter, commercial and media planning units) and in Naples (“creative farm”) and with a turnover around 6 million euros. The agency’s outstanding client portfolio includes multinational companies such as Ferrari, Maybach, Bridgestone, Daimler, Snav, Palmolive, Henkel, Salvatore Ferragamo, the Sanremo Casino, and the Crowne Plaza.

The case analysis provides interesting insights as to client involvement into the agency’s innovation processes, so helping us to shed some light on the dynamics of hidden co-innovation activities that take form in creative intensive business services. Our main results will be discussed with reference to the different dimensions of the conceptual framework that we have proposed (figure 1).

Considering the advertising agency’s innovation forms (1), the exploratory case study draws the attention to two main results: the innovation processes are mostly hidden and unconsciously undertaken by the agency, and, at the same time, they are multi-dimensional. The agency does not have the clear perception of the multifaceted innovative effort that is hidden in its activities and processes, as the CEO sums up: “Agency has to search on the market what client needs. Innovation is just the contin-
uous research for the opportunities that the market offers to clients in order to improve their performance. Innovation is not applied research ‘tout court’. This is not the role of the agency." This is consistent with extant literature on services, in general, and on advertising industry in particular (Green et al., 2007). However, a deep and critical analysis of the agency’s processes depicts a different scenario. In fact, even though the agency is not very aware of it, several forms of innovation can be observed. First, there is innovation in terms of Cultural product. In particular, the agency invests in the creation of new technological solutions in the area of SEO, social media marketing, mobile applications, e-commerce and so on. These investments in new “vehicles” of the cultural meaning and information content of advertising open original opportunities for innovative campaigns. In order to be always on the edge of knowledge in these relatively new fields, the agency organises several training courses for its workforce. It is interesting to notice that, in contradiction with what stated before, in this case, the CEO acknowledges a high degree of innovation: “SEO and social media marketing are brand new fields… especially social media marketing. There is pure experimentation and we do something close to real ‘research’”. “Our employees follow training courses with the Italian most renowned experts, especially for the Social and SEO fields”.

Another important site of innovation is observable with reference to Technology/User Interface. In particular, the agency has developed a proprietary technological platform for the performance traceability of its campaigns. Thank to this platform, the agency can optimize the management of the on line traffic, that is bought with CPM (“Cost per mil impressions”) and/or CPC (“Cost per click”) remuneration by different channels and then sold to final clients with CPA (“Cost per action”) and/or CPL (“Cost per lead”) remuneration. This “performance marketing” tool enables the agency to automatically optimize the campaigns according to parameters arranged with the client, and to reach the pay out target set by the client. The managing director’s words underline the role of the platform for the firms’ strategies: “Our proprietary platform allows us to buy traffic in CPM, like the traditional advertising, and to sell it depending on performances. We trust so much our capabilities that we buy banner, spaces, and so on, after it we make the media planning, and then, we sell everything to clients asking money only in proportion to the results obtained”. At the same time, this platform is a tool that enables client to monitor in detail the effects of the specific creative solutions adopted by the agency and of the overall campaigns. In this sense, it represents an on line zone, in which clients – being able to monitor campaign in real time – can help in reinvigorating it (Miles; Green, 2008). Along with the mentioned platform, the agency has developed other on line zones for the management of each project, in which it is possible to share with client databases and files, for example, for repository or versioning advertising. These tools help the agency in effectively sharing information with the client and in establishing and nurturing long-term relationships with him/her.

Innovative solutions are recognizable also with reference to the Process of Production. In particular, the managing director highlights that: “What make a lot of difference is the ability in planning the work and set the procedures. (...) We do believe in the importance of continuous training. Last week we have organized a course with the Polytechnic of Milan about Project Management (how to set procedures, or create workflows, how to manage the relationship with the client, and so on)”. From the exam of literature on advertising this significant recourse to Project Management tools does not emerge. Then, even though the agency analysed is not likely to be the only one that implements this kind of “process of production” efforts, we can point out
the existence of a form of incremental, continuous process of adaptation in the creation of campaigns.

Finally, the case study sheds light on interesting aspects concerning the innovation in the Creative Concept. Of course, this form of innovation is mainly linked to the production of original ideas, and to the creativity of the campaigns. For the agency, the creativity is very important and in the firm’s organisational structure there is a dedicated Creative Department (the creative farm, cited before, that is located in Naples). However, it is interesting to notice that, according to the managing director, even though the creativity plays a crucial role for the success of the firm, it has no value per se, at least in this very specific moment on the industry: “According to me, the era of the creative communication that is an end in itself is over. (...) Now there is too much attention on the effects on client’s performance (...)”. In particular, what matters the most is the ability of the agency to offer a full range of services customized on client’s specific needs, and to obtain measurable and significant impacts on client’s performance. Creative ideas are important, but alone they are not enough to be competitive in the market. This has interesting implications also in terms of the “intellectual property” of the creative solutions created for (and often with) clients. In fact, the agency does not pay much attention on the protection of its original ideas, because the value of those ideas is strongly linked to the rest of the services offered and would not be the same elsewhere: “The intellectual property of our ideas is an issue… Actually, our business goes so fast, that we give away inevitably many ideas… (...) However, it is very difficult to protect your ideas when you go so fast. (...) In any case, our value is in our global service, not in a single creative idea. Therefore, even though a client steals one of our ideas, there is not so much to be concerned about”.

The case analysis also provides some first insights into relevant client’s characteristics that can facilitate co-innovation processes (2). The agency has a wide-ranging client portfolio including many best in class companies from very different sectors (e.g. automotive, retailing, apparel, banking, transport, mass consumer products, e-commerce). The agency reports that the interaction with this heterogeneous base of clients provides “natural” opportunities for a continuous expansion of its knowledge base and for cross-fertilization of intellectual capital from one account to another. However, the most important innovation-conductive attributes appears to be client’s motivation and goal orientation, which are linked by the level of priority and complexity of the demanded services. According to the CEO, “the most stimulating clients for our innovative efforts are those with a strong goal orientation in advancing their web marketing strategies and solutions”. More in detail, the best clients for agency’s innovation processes are those demanding high value-added, complex solutions that have significant, strategic implications for their competitiveness and profits. The case study also allows to shed some light on the impact of clients’ level of sophistication on collaborative innovation, highlighting that a high level of expertise and experience is usually reflected in a quite inflexible attitude towards agency’s solutions that tends to hinder innovative efforts. This is particularly evident in the development of new creative contents, in which, as the managing director notices, “more sophisticated clients tend to impose their ideas through an arrogant behaviour”, confirming the insights provided by Koslow et al. (2006). By contrast, the lack of a special expertise leaves much more room for experimentation of new approaches, as it usually happens in the development of advanced digital marketing solutions (e.g. interaction design, social media marketing): in this case clients are usually less experienced and skilled than the agency and this fosters agency’s motivation and capability to develop and propose more creative solutions. Finally, the analysis clarifies that client’s open-
ness to exploration of new ideas is significantly influenced by the trust in the agency that is acquired during previous service deliveries. According to the CEO, “(...) clients’ confidence in agency’s capability to achieve the expected results definitively represents the most important prerequisite for the success of collaboration and of joint innovative efforts”.

Turning to the role of clients in agency’s innovation (3), different processes can be observed in relation to the different innovation forms found in the case company and clients’ involvement varies significantly across these processes. As expected, the agency’s “natural” innovation activities are developed according to the reactive, “practice-driven” model (Toivonen; Tuominen, 2009), typical of KIBS: the generation of new cultural concepts emerges during the service provision on the basis of specific clients needs and is developed step by step together with the client. In this case the innovation is typically ad hoc and, given the nature of creative concepts, its replication is very difficult. Clients act as drivers of the process and intensely participate in the conceptualization, development and evaluation of new creative contents, providing initial guidelines (i.e. the brief), specific knowledge, “expert” inputs and feedback. Beside this typical client-driven process, the case analysis reveals other agency-driven innovation processes that start from the search for new opportunities as well as for improvements as a part of its broader strategic development. These processes are found to be planned but not strictly formalised according to a clearly articulated structure with separate and sequential stages. Looking at them more in detail, the model of “rapid application” (Toivonen; Tuominen, 2009) can be observed in agency’s innovation process relating to new cultural products, namely the development of social media marketing solutions. In this case, ideas for new applications are generated and developed internally, quickly brought to the market by involving a pilot client and then developed further. Thus, in this case the idea is born within the agency as a result of its innovation efforts and the client is mainly involved in the testing stage of the innovation process as critical evaluator of the solution under development. Finally, the agency has carried out several development processes that are completely organised in-house without the involvement of clients. Some of them are borderline between innovation and continuous adaptation as in the case of the improvement of internal systems and skills in the areas of project management and customer relationship management. Differently, the development of the proprietary technological platform for the provision of advanced performance marketing services has followed a more formalised, structured process based on dedicated project team and resources. Although clients were not included in the project development team, the development and use of this technological innovation eventually fosters the role and involvement of clients in the co-production process of marketing strategies and solutions, since it allows them to directly monitor in real-time the performance of their media strategy.

Overall, from the analysis the intensity of client involvement appears to be not really very high, since clients are mainly used by the agency as expert sources of information and feedback on specific issues within the innovation process rather than true partners for the co-development of new ideas and solutions. This is also reflected in the modes of client involvement (4) that are mostly based on traditional one-way information exchange between the agency and its clients (e.g. interviews, customer visits). In general, the agency adopts a structured, formal approach for managing client interaction that is based on clearly defined roles: a client manager is responsible for the quality of the relationship with clients and understanding of general clients’ needs in the early stages; a dedicated project manager is then appointed to develop a formal project and coordinate the agency’s creative and tech-
rical staff for the delivery of the proposed solution with the support of an account manager, who interacts with client’s staff on technical issues during the working relationship. An exception is found in the interaction with long-term, trusting clients which is usually characterised by a higher interactivity with agency’s and client’s stoffs working together as “sparring partners” (Gadrey; Gallouj, 1998) as the CEO reports: “(...)we feel that we are part of the client’s organisation...(..) we work together as being part of the same team”. Interestingly, it is found that the use of a proprietary web-based platform for managing communication flows and collaborative creative production improves the quality of interactions and working relationships with clients and definitively fosters a more intimate collaboration.

Moving on the issues concerning the agency-client relationship management (5), the case study analysis highlights that formal and informal mechanisms of governance act as complements (Poppo, Zenger, 2002). More precisely, on one side, the relationship and the joint activities between the agency and its clients are articulated on the basis of formal procedures and quite rigid schemes, which clearly identifies the actions to undertake and the interface with the client: “Our project with the client is managed with a quite rigid workflow. There are four fixed operative phase (initialization, planning, executive & controlling, and closing), then, there is the implementation of a standard project management phase. In this phase, the project manager can have direct contacts with the client, but only along with the Account manager”. On the other side, however, informal self-enforcement mechanisms, such as trust and reputation, play in the meanwhile a crucial role for the effectiveness of the cooperation and for the innovation activities, as already mentioned before: “We can try new paths and innovate when clients trust us (...) Clients that know who we are and what we do let us more autonomy”.

As to the formal procedure implemented to plan the work and to organize the activities, we have already observed the frequent recourse of the agency to the use of tools such as workflows. Here, it is interesting to point out that in some case the workflows are structured considering the contribution in the process of production – and in the creative phase, in particular – both of the agency and of the client (a form of “service blueprint”; Zeithaml et. al, 2008). Finally, consistent with extant literature (a.o. Grabher, 2002), from the case study emerges the key role of the Account manager, who acts as the real gatekeeper of the link between agency and client. In the agency, every Account manages only one client (in few cases, two clients), with whom establishes long-term and strong relationships, characterized by very frequent (generally daily) contacts.

6. Conclusions and future research

This paper addresses customer involvement in innovation in CIBS and explores how clients can be successfully involved in advertising agency’s innovation processes. The interpretive lens of service innovation and relationship marketing (more frequently adopted in research on advertising) together with the literature on customer involvement in NSD have been integrated in order to develop a conceptual framework for the analysis clients’ role and participation in agencies’ innovation processes. The framework has been applied for the analysis of the co-innovation relationships of an Italian successful advertising agency. This exploratory case study provides first insights for our research. Firstly, it confirms the hidden nature of innovation in the examined industry, highlighting an intense innovation activity that is however difficult to
identify by means of traditional concepts and models. This is reflected in the need for a broad, multi-dimensional definition of innovation - such as the one adopted in our framework - allowing to describe the various radical, incremental and ad hoc innovations that are developed through diverse innovation processes. Interestingly, the case study analysis shows that different types of innovation processes - that are to some extent borderline between innovation and organisational learning - can be contemporaneously observed in the same agency and clients' involvement varies significantly across these processes. This makes more complex the understanding of clients' role and collaboration in innovation and reinforces the need to integrate different innovation perspectives and concepts for its analysis.

This exploratory analysis presents some limits that have to be taken into account when evaluating its results. First of all, original data have been collected by interviewing only the agency’s CEO, but in order to get a deeper understanding of co-innovation relationships with clients, further interviews with Account and Project managers are necessary. However, the analysis presented in this paper represents an exploratory and initial phase of a broader research project, and for the next research steps, interviews with other key players of the agency-client relationship are scheduled. Second, the case study deals with a web agency, therefore it cannot be considered tout court an exemplary case of the “traditional” advertising agency. Even though nowadays web advertising represents a key service area for advertising agencies, further analysis has to understand if the dynamics found in our case study are contingent to the specific competitive agency profile. Third, the examined agency does not seem to adopt a deliberate strategy for client involvement though it provided some interesting insights into the issue under investigation. Future research should be aimed at understanding which agencies actually involve their clients according to a planned co-innovation strategy (e.g. as co-developers within agency's project team) and at exploring the impact of different intensity and practices of involvement on agencies’ innovation outcomes. Moreover, further research should be carried out in order to get an in-depth understanding of roles, processes and conditions of effective exchange of knowledge flows between the agency and its co-innovation clients.

Notwithstanding these limits, our case study shed some initial light on critical issues that can generate important implications for both practice and theory. In fact, when an agency becomes aware of the multifaceted innovation occurring in its processes and of the potential contribution of its clients, it can improve the efficiency and efficacy of the activities involving clients and, furthermore, set a systematic evaluation of the internal continuous learning processes with (and from) them. As to theory, the perspective adopted in this paper (the contribution that client can give to agency’s innovation) represents an original point of view for providing insights to deepen our knowledge about service co-innovation in general, which is still required.

References


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