VALUE—IN—CONTEXT IN CROWD-FUNDING ECOSYSTEMS: HOW CONTEXT FRAMES VALUE CO-CREATION

María José Quero (Ph.D), University of Málaga (Spain)
Carol Kelleher (Ph.D.), University College Cork (Ireland)
Rafael Ventura (Ph.D), University of Málaga (Spain)

Barcelona, June, 2014
1. Introduction

¿How does the context determine the way value is co-created?

Chandler and Vargo (2011) posit that exchange cannot be understood without the consideration of THE CONTEXT.
2. ¿Why crowd-funding?

There is a growing interest in crowd-funding amongst arts organizations that can only be properly understood by analysing the context of value co-creation, the different actors within the service ecosystem and how they co-create different types of economic and non-economic value.
2. Theoretical framework

Crowd-funding platforms facilitate a collaborative space based on the connection facilities provided by new technologies (Ordiani et al., 2011, pp. 444).

The Five Co-s model (Russo-Spena and Mele, 2012) adapted to the crowd-funding context with the incorporation of the concepts «co-investment» (Ordiani et al., 2011 and «co-consumption o prosumption» (Grönroos and Ravald, 2011, Payne et al., 2008; Grebauer at al., 2010)).

Quero, Kelleher and Ventura, 2014
2. The ecosystem theory

A *service ecosystem* is a spontaneously sensing and responding spatial and temporal structure of largely loosely coupled, value-proposing social and economic actors interacting through institutions, technology and language to:

(1) co-produce service offerings
(2) engage in service provision
(3) co-create value.

Vargo and Lush (2011, p. 185)
2. The service ecosystem

**Micro-context: Direct service - for-service exchange**
Chandler and Vargo, 2011; Gummesson, 2006; Madhvaram and Hunt, 2008; Bartney et al., 2001, etc.)

**Meso-context: Indirect service - for-service exchange**
Chandler and Vargo, 2011; Gummesson, 2006; Grönroos, 2006; etc.)

**Macro-context: The service becomes complex. The network.**

**Meta-layer of context: The institutionalization of the process.**
(Chandler and Vargo, 2011, p. 44)
2. **TF** The co-creation

The 7 Co-s MODEL FOR CROWD-FUNDING CONTEXTS

- Co-evaluation
- Co-ideation
- Co-consumption
- Co-design
- Co-financing
- Co-test
- Co-launch
<table>
<thead>
<tr>
<th>Type</th>
<th>Concept</th>
<th>References</th>
</tr>
</thead>
<tbody>
<tr>
<td>Co-ideation</td>
<td>The co-generation of ideas to obtain direct, external voices; companies open the idea-generation phase to an external network of actors that includes not only lead users but also consumers, fans, customers, partners, professionals and intermediaries who actively participate in idea generation and shaping.</td>
<td>Russo-Spena and Mele, 2009.</td>
</tr>
<tr>
<td>Co-design</td>
<td>Co-design encompasses a wide range of practices based on the engagement of many actors linked by a shared context and interest: to bridge the gap between identified ideas or needs and the possibility of finding a solution.</td>
<td>Russo-Spena and Mele, 2009.</td>
</tr>
<tr>
<td>Co-test</td>
<td>Co-test activity is used to support the improvement of prototype products/services before they are marketed.</td>
<td>Russo-Spena and Mele, 2009.</td>
</tr>
<tr>
<td>Co-investment</td>
<td>Co-participation in financing a project.</td>
<td>Ordanini et al., 2011.</td>
</tr>
<tr>
<td>Co-consumption or “pro-sumption”</td>
<td>This refers to collaboration for use and consumption.</td>
<td>Payne et al., 2008; Grönroos and Ravald, 2011; Gebauer et al., 2010.</td>
</tr>
</tbody>
</table>
2. The actors

A 1 Creative core
A 2 Platform
A 3 Financing consumers
A 4 Non-financing consumers
A 5 Investors
A 6 Experts

Source: Quero et al. (2013).
RESEARCH PROPOSITION

Crowd-funding platforms in the cultural sector act as an additional meta value-co-creation in service ecosystems, which institutionalize value co-creation at the micro, meso and meta level. As crowd-funding platforms appear, they start to develop latent rules and strategies to get the proposed arts or cultural projects to fruition. Through crowd-funding platforms, actors exchange information, knowledge and facilitate innovation activity, connectivity, complementarities, efficiency and network effects.

Quero, Kelleher and Ventura, 2014
3. Research design _ methodology

- Crowd-funding is a recent and very new phenomenon which is undergoing a transformation.
- This circumstance explains why theory and research are still in the preliminary stages.
- Relationship between agents measure requires complex information.

This study employs a QUALITATIVE METHODOLOGY, based on an analysis of cases which facilitates the exploration of responses within its context, and using a variety of information sources.
3. Research design _ case selection

<table>
<thead>
<tr>
<th>CASES</th>
</tr>
</thead>
<tbody>
<tr>
<td>The scope of the study is limited to the cultural sector</td>
</tr>
</tbody>
</table>
| 3Platforms: VERKAMI, GOTEKO and LANZANOS  
(80% crowd-funding projects in Spain) |
| Judgement – based **sampling method**. Criteria for case selection: |
| - Cases which have sufficiently exceeded their objective in terms of the financing and in which the project has been realised. |
| - Cases which had generated a high level of activity in internet. |
| - Cases in which consumers could participate in different ways (different ways of co-creation) |

**FIVE CASES**

«El Cosmonauta» (film), Freedonia (musical work), «Orxata Sound System» (Musical work), «La puerta de Ishtar» (book) and «Diagonal Web», Newspaper.

Quero, Kelleher and Ventura, 2014
3. Research design _ data collection

Data collection

- **Secondary data**: Netnographic study of forums and crowd-funding platforms and the impact of each of the projects on social networks.
- **Primary data**: in-depth interviews with platform directors and project directors.

Quero, Kelleher and Ventura, 2014
4. Findings

Crowd-funding can be considered a service ecosystem, where:

1. Service offerings are co-produced.
2. Exchange service takes place.
3. Value is co-created.

Quero, Kelleher and Ventura, 2014
4.F The Crowdfunding ecosystem model

**Macro-context**
- Direct and indirect service-for-service exchange.
- New actors appear, attracted by the benefits of the ecosystem’s synergies.

**Meso-context**
- Direct and indirect service-for-service exchange.
- Actors: A1, A3, A4
- Actors relate to each other, co-creating value.

**Micro-context**
- Direct service-for-service exchange.
- Actors: A1, A3, A4

---

Quero, Kelleher and Ventura, 2014
## 4.F Forms of co-creation in crowd-funding

<table>
<thead>
<tr>
<th>Forms of value co-creation</th>
<th>Value co-creation outcome</th>
</tr>
</thead>
<tbody>
<tr>
<td>Co-ideation</td>
<td>Creative core of “La Puerta de Ishtar”: “The book was published thanks to all of the agents who participated. The book’s cover was created as the result of an ideas competition that we launched on the Internet, and there was room for all of the participants in the book.”</td>
</tr>
<tr>
<td>Co-design</td>
<td>Creative core of La Puerta de Ishtar: “There was a collaborative effort involved in converting the published book from a pdf to an e-book system, thanks to one of the participants involved in crowd-funding.”</td>
</tr>
<tr>
<td>Co-valuation of ideas</td>
<td>All the cases in the study received opinions on their development, so that they were able to adapt certain parts of their projects to the demand.</td>
</tr>
<tr>
<td>Co-investment</td>
<td>Creative core of El Cosmonauta: “The El Cosmonauta project was possible thanks to 4,500 producers (financing consumers).”</td>
</tr>
<tr>
<td>Co-test</td>
<td>Creative core of La Puerta de Ishtar: “When it came to designing the format of the book, the community in general and those who had been involved in financing were asked what type of format they wanted.”</td>
</tr>
<tr>
<td>Co-launch</td>
<td>Creative core of Freedonia: “We had help disseminating our music through forums and social networks. Thanks to the involvement of the community it was possible for the project to be a success.”</td>
</tr>
<tr>
<td>Co-consumption</td>
<td>Creative core of El Cosmonauta: “The film is going to be released on the Internet as a free film because of the Creative Commons licence. Our project is an experience and thanks to being circulated by those who took part it will reach a lot more people.”</td>
</tr>
</tbody>
</table>
The present study falls within the context of the need expressed by Vargo et al. (2008, p. 15): “[...] (the) exploration of value co-creation raises as many questions as it answers. For example, what exactly are the processes involved in value co-creation?” It is important to bear in mind that the context determines, to a large extent, the way in which value is created and the type of value created in crowd-funding ecosystems, as pointed out by Vargo (2008), who coined the term value-in-context.
6. Implications

The crowdfunding ecosystem proposed constitutes a significant contribution because:

1. It offers the context specific identification and description of the actors in the specific crowd-funding context in the arts and cultural sector.
2. Seven kind of value co-creation processes are identified in the crowd-funding context (the 7 Co-s Model).
3. The crowd-funding ecosystem (meta-layer) covers all the levels of service-for-service exchange or value co-creation: micro-context, meso-context and macro-context.
4. The actors and co-creation relationships are framed on a crowd-funding ecosystem, where value-in-context takes place.

Quero, Kelleher and Ventura, 2014
6. Limitations and future research

The results of the present research could be used as a foundation for future studies which go into greater depth concerning the **types of value created** in crowd-funding, the **practices** which reflect such behaviour and the **marked tendency towards interconnection between agents** which facilitates the emergence and maintenance of ecosystems. It will be also interesting to analyse how other contexts different from crowd-funding could learn from it and develop innovative strategies based on value network.

Quero, Kelleher and Ventura, 2014