Customer involvement through social media in the product development process within the luxury goods industry

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CUSTOMER INVOLVEMENT THROUGH SOCIAL MEDIA IN THE PRODUCT DEVELOPMENT PROCESS WITHIN THE LUXURY GOODS INDUSTRY

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Abstract

Background and Purpose
Rapid technology transformation and changing customer preferences are impacting the luxury goods industry. By 2025, 100% of luxury purchases will be influenced by an online interaction and social media channels have hence been considered as an important way to establish relationships with consumers. Furthermore, social media is no longer only acting as a sales and communication tool, it can also be utilized for co-creation with customers in the product development (PD) process in the luxury industry. The case studies in this research therefore aim to reveal how luxury goods companies are utilizing customer involvement through social media in their PD process. Thus, the report has a strong focus on analyzing the perceived challenges and benefits concerning the investigated subject.

Methodology
The research builds on an extensive literature review of the product development process, customer involvement, social media and the luxury goods industry. To extend and build upon the literature, semi-structured interviews with seven luxury goods companies located in Paris, London, Stockholm and Copenhagen were conducted. In addition, four industry experts were interviewed in order to better understand the complexity and changing circumstances of customer involvement in the luxury goods industry.

Findings and Conclusions
The empirical findings demonstrate that customer involvement is used to some extent in the following phases: idea, validation, launch and post launch. Furthermore, social media is mainly serving as an informal source of information, in the idea and post launch phases, where the customer is passively involved. However, it has been concluded that due to utilization of social media customer involvement has increased among the majority of the companies. Furthermore, several challenges and benefits have been identified with using customer involvement and the utilization of social media in the PD process. The perceived challenges of using social media may be the reason for not being utilized in a formal way to a greater extent. However, in addition, the empirical findings also reveal several industry characteristics that highly influence the degree of customer involvement and customer involvement through social media.

Originality
The findings contribute to a better understanding of how luxury companies are utilizing customer involvement through social media in the product development process which has not been done before. The research hence provides to increase the existing knowledge in the academic field but also to help luxury goods companies to understand how other companies within the industry are addressing this phenomenon.

Keywords
Acknowledgement

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1. Introduction

This chapter initially describes the background and problematization of the topic which builds the foundation of the research questions that the study aims to answer. Following, a short description of delimitations is presented. Lastly, in order to give the reader an overview, a disposition of the thesis is displayed.

1.1 Background

The luxury market has encountered several challenges which has forced the industry to endure great transitions in the past two decades. In particular, rapid technology transformation and changing customer preferences have influenced the competitive landscape. Thus, imposing on contemporary corporate strategies. (Deloitte, 2018).

In spite of this, the luxury market, encompassing both goods and experiences, has continued to deliver positive performance across most of the segment. The overall market grew by 5% to an estimated €1.2 trillion in 2018. The worldwide personal luxury goods segment, which is perceived to be the core of the core in the industry, accounted for €260 billion of the total estimation, which is a +6 % CAGR between 1996 to 2018. Thus, outperforming the overall luxury market. The personal luxury goods market is projected to further deliver positive growth and increase to somewhere between €320 - €383 billion in 2025. (Bain & Company, 2018; McKinsey, 2018). Commercial policies, short term recessions and socio-political issues might though cause the growth to be unsteady. In addition, new technological transformations and changing customer preferences will further impact the industry to a high extent. The growth projections are therefore based on that the luxury goods companies will successfully adopt to the prevailing and disrupting challenges. (Bain & Company, 2018; Deloitte, 2018). An extensive report conducted by Bain & Company (2018) demonstrates that a youthful market will influence and disrupt the growth paths of luxury goods. The younger generation consists out of millennials, gen Z and gen Y, who will represent 55% of the luxury market and hence deliver 130% of the market growth by 2025 (Bain & Company, 2018). This target audience cannot be neglected, and companies need to understand their aspirations and behaviors. These generations are categorized to be fluid, social, digital connected and experience oriented, but not brand loyal. This is a great challenge that the luxury industry is facing as strong relationship building and loyalty have always been cornerstones for long lasting success for luxury brands (Choi, Ko, Kim & Mattila, 2015). Luxury companies hence need to find novel ways to capture the younger generation's attention as they will be the key engine of future growth. To succeed, luxury brands should focus their investments on digital connectivity and innovative business models, which are main components according to Deloitte (2018) and Bain & Company (2018).

In addition, in 2017 the average consumption of social media reached a number of 135 minutes per day compared to 126 minutes in the previous year (Statista 2017), and 98% of the millennials use social media (McKinsey, 2018). It is further projected that 100% of luxury purchases will be influenced by an online interaction by 2025. Consequently, social media channels are and will be increasingly more critical to employ in order to establish relationships with consumers. Social media hence brings a lot of opportunities to companies, if utilized in the right way. Additionally, reports conducted by Bain & Company (2018) and McKinsey (2014) highlight that social media is no longer only acting as a sales and communication tool rather that it can also be utilized for co-creation with customers in the product development (PD) process in the luxury industry. However, customers have for a long time been highly segregated from the product development of luxury goods (Muthu & Gardetti, 2018). But as the competitive market and customer’ needs are influencing and transforming the luxury
industry, companies need to rethink their strategies. Bain & Company (2018) argues that the industry needs to progressively switch to a more demand-driven approach with faster lead times and let the customer be more involved.

Previous research has proven that customers represent a significant source of knowledge in the innovation process. Thus, innovation is no longer performed alone, but it is rather undertaken conjointly to include external actors as well. (Chesbrough, 2003). This practice is commonly referred to as ‘open innovation’ which has received increased emphasis in recent literature about innovation management. Chesbrough and West (2006) define open innovation as following:

Open innovation is the use of purposive inflows and outflows of knowledge to accelerate internal innovation, and expand the markets for external use of innovation, respectively. [This paradigm] assumes that firms can and should use external ideas as well as internal ideas, and internal and external paths to market. (Chesbrough & West, 2006, p.1)

In order to be able to stay competitive, companies hence need to be aware of new and valuable information that exist outside the company and insert that information into their value creation process (Chesbrough, 2003). Markham and Lee (2013) state that new products are key components for a firm to successfully grow. However, new product failure rates remain high, averaging 40-50% (Markham & Lee, 2013; Piller & Ogawa, 2006). To increase the success rate, firms have started to involve the customers in the PD process to co-create products which can enable a better product-market fit (Nambisan, 2002; Prahalad & Ramaswamy, 2004, Chesbrough, 2003). Consequently, the role of customer participation in the development of products has hence gained significant strength over the recent years (Chang & Taylor, 2016; Chesbrough, 2003; Fang, Palmatier & Evans, 2008; Lagrosen, 2005; Nambisan, 2002).

Moreover, new technology offers firms new tools to enhance the co-creation process (Chesbrough, 2003). The rise of internet and social media have caused a significant change in the way consumers communicate and interact with companies which creates the opportunity for firms to capitalize on this to enable a more efficient and successful co-creation with their customers (Hitchen, Nylund, Ferràs & Mussons, 2017). Thus, previous research has demonstrated that social media can potentially enhance the outcome of the product development process (Hitchen et al, 2017; Bugshan, 2015; Nambisan 2002). This partially because customer and brands can share their objectives and visions in a more instant and non-geographically dependent way (Kaplan & Haenlein, 2010).

However, the literature provides restricted studies with regard to the role and use of social media for supporting PD practices in luxury goods companies. There are clear indicators that companies in this industry must focus more extensively on co-creation and involvement of customers in their product development process if wanting to capture the projected growth opportunities (Bain & Company, 2018; McKinsey, 2014). Investigating the subject more thoroughly could increase both the understanding of where the industry is today concerning the topic and what challenges that needs to be overcome to increase the likelihood of a potential successful future adoption of social media in product development. The aim is therefore to address this gap and create an understanding of how luxury goods companies are utilizing customer involvement through social media in the PD process. However, as mentioned earlier, customers have been highly segregated from the production development of luxury goods. It is therefore of importance to in parallel investigate how customer involvement is being utilized since social media is a means of customer involvement in the PD process.
1.2 Purpose and Research Question

The purpose of this research is to investigate customer involvement through the utilization of social media in the PD process in luxury goods companies; explain how it is carried out and what perceived challenges and benefits there are. Based on this, the following main research question has been formulated:

- How is social media used as a tool to facilitate customer involvement in the product development process in luxury goods companies?

In addition, three sub-questions were formulated in order to broaden the understanding and to better analyze the main research question:

- How is customer involvement utilized in the product development process?
- What are the benefits and challenges of using customer involvement in the PD process in luxury goods companies?
- What are the benefits and challenges of using customer involvement through social media in the PD process in luxury goods companies?

By answering the research questions, the study will contribute theoretically by providing an understanding of how social media is used in the product development process, since this is lacking in current research, and especially within the luxury goods industry. Additionally, the study will provide with practical contributions by giving insights in where the industry is right now concerning the topic, and what challenges and benefits there are to take into consideration for future adoption of social media in product development. The aim is therefore to both contribute with added theoretical value and value to the luxury goods industry. It is a highly relevant and applicable topic that all companies within the industry are facing. This especially when the projections by the most prominent management consultancy firms are that luxury goods companies need to change to a more demand driven strategy and take into account the customers’ preferences when developing products.

1.3 Delimitation

The luxury market consists of several segments and is commonly divided into nine segments; personal goods, cars, hospitality, fine wines & spirits, fine food, fine art, designer furniture, private jets, yachts and cruises. Personal goods, cars and hospitality accounts 80 % of the total worldwide luxury market. Luxury cars are the most dominant segment and reached €489 billion in total whereas luxury personal goods reached an all-time high growth of €260 billion in 2018. (Bain & Company, 2018). The luxury personal goods are nonetheless perceived to be the core of the core and entails; apparels (ready-to-wear), accessories, jewelry, watches, cosmetics and perfumes. Hence, this study is only addressing the luxury personal goods segment and are hence excluding the remaining eight segments. This is due to the aim of the study but also due to the scope and time of the study that the researchers were able to perform. This report will from now on refer personal luxury goods to luxury goods.
1.4 Thesis Disposition

The thesis will consist of the sections specified below and will be presented in the following order:

Figure 1.1: Disposition of the report
2. Literature Review

The aim of this chapter is to create an understanding of the different frameworks and theories that will create the theoretical foundation of this research. The chapter provides a comprehensive literature review of subjects regarding product development process, customer involvement, social media and finally the luxury goods industry. The chapter is finalized with an overall summary of the literature review.

2.1 The Product Development Process

It is of essence to first establish an understanding of the product development process in order to understand customer involvement and the potential to utilize social media in product development. There is though no absolute model describing the process for all products as the it varies to some extent between companies and different projects within a company. However, all products are moving through some kind of process, going from idea to launch. A PD process is therefore commonly divided into different phases and can be seen as an iterative sequence of phases and activities that a company performs (Ulrich & Eppinger, 2003). The aim of this chapter is hence to create an overview of the main standard phases in the PD process which is based on previous research and literature (Cooper, 1990; Crawford & Di Benedetto, 2011; Song & Montoya-Weiss, 1998; Ulrich & Eppinger, 2003). Below, (see Figure 2.1) the general phases in the PD process are presented. Depending on which phase the development is in, the customer interaction varies since there might be different purposes to involve the customer in the different stages (Crawford & Di Benedetto, 2011; Nambisan 2002). Consequently, it is important for a company to recognize and to understand the different phases in the PD process since it creates a foundation for when and how customers can be involved (Nambisan, 2002) which in turn also affects the potential for social media to be used.

![Figure 2.1: Product development process. Compiled by authors.](image)

Firstly, The Idea Phase, is where an idea is born and then evaluated and validated if a sales potential does exist. Ideas can come from both internal and external sources. Secondly, The Concept Generation and Definition Phase, entails concept creation and technically defining the product. Segments, customer expectations and markets are also examined. This phase involves both inside sources such as employees and outside sources such as end-users and lead-users in order to assess for example how willing people are to buy the product and for what price. Literature further highlights the importance to interact with outside sources such as potential customers to develop a good product. (Cooper, 1990; Crawford & Di Benedetto, 2011; Song & Montoya-Weiss, 1998; Ulrich & Eppinger, 2003). Thirdly, The Development Phase, is where the product gets a finite form and it involves the actual development of the design and the product, also a detailed test is performed. The planning of the marketing and operations is also being made. (Cooper, 1990; Crawford & Di Benedetto, 2011; Ulrich & Eppinger, 2003). Fourthly, The Validation Phase, it can be seen as a stage where the viability of the product and the prototype are tested, such as technical aspects and customer requirements. To exemplify, a supply of the new product is produced in quantity from a pilot
production line, enough for letting end-users to pre-test the product or do trial sells on the market to test customers’ reaction. In this phase, it is crucial to interact with the customers in order to launch a successful product on the market (Cooper, 1990; Crawford & Di Benedetto, 2011; Song & Montoya-Weiss, 1998). Fifthly, The Launch Phase, involves commercialization of the plans and prototypes from the development and validation phase. The implementation of both the marketing launch plan and the operations is performed, meaning that companies begin their distribution and sale of the new product. In this phase customer interaction plays a vital role (Crawford & Di Benedetto, 2011; Song & Montoya-Weiss, 1998). For instance, customers are invited to help launch product through a trial of the new product in form of samples which in turn can lead to a purchase. Also, when launching a new product customer provide their first-hand feedback on product usability, potential problems connected to the product, product performance, and the positioning and marketing mix of the new product (Crawford & Di Benedetto, 2011; Ulrich & Eppinger, 2003). Lastly, following launch, during the post launch phase, the project is being evaluated. Meaning that revenues, cost, profits, expenditures, customer feedback as well as an assessment of the project’s weaknesses and strengths are taken into account. Thus, the information and knowledge are then brought into future projects (Crawford & Di Benedetto, 2011; Song & Montoya-Weiss, 1998; Ulrich & Eppinger, 2003). The evaluation marks the end of the product development project, but the insights and learnings are taken into account for future projects.

2.2 Customer involvement in the product development process

Nambisan (2002) implies that in order to increase the possibility to achieve a good product-market fit, the product development should be based on an in-depth understanding of the customers. Consequently, this is one of the main reasons why an increasing number of companies are actively involving their customers in the product development process as it enables them to identify the users’ needs and expectations (Cui & Wu, 2017). Customers’ ideas and opinions can hence be of great value in helping the PD team to identify problems and to design solutions (Nambisan, 2002). However, to succeed with this, Nambisan (2002) and Jansen, Van Den Bosch and Volberda (2005) argue that a structured PD process and working in multidisciplinary teams are beneficial to integrate and transform the information that creates added value.

2.2.1 Different Customer Roles

Furthermore, throughout the PD process it has been identified that customers can carry out three different roles, namely: Customer as a Resource, Customer as a Co-Creator and Customer as a User (Nambisan, 2002). The different customer roles vary depending on which phase in the PD process the customer is involved in. This is illustrated below in Table 2.1. Additionally, Nambisan (2002) states that customer involvement in product development can either be indirect or direct. Indirect involvement refers to collecting market intelligence with the aim to extract customer preferences and demands from public sources that are available. Direct involvement is then about the fact that there is a two-way communication between the company and the customer, meaning that all of the involved actors take part in the interaction and intentionally generate content.
<table>
<thead>
<tr>
<th>Customer Role</th>
<th>Product Development Phase</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customer as Resource (indirect)</td>
<td>Idea &amp; Post Launch</td>
</tr>
<tr>
<td>Customer as Co-Creator (direct)</td>
<td>Concept generation &amp; Definition Development</td>
</tr>
<tr>
<td>Customer as User (direct)</td>
<td>Validation Launch</td>
</tr>
</tbody>
</table>

Table 2.1: Customer roles in the PD process adopted from Nambisan, 2002.

2.2.1.1 Customer as a Resource
Customers can be used as a source of innovation in the initial idea phase in the PD process and in the post launch phase. The customers then play the role of information providers, sharing knowledge and innovative ideas. The PD team gathers information on customers’ needs and wants through e.g. marketing research methods such as market surveys. The PD team then develop and design a product that is aligned with the extracted information (Cui & Wu, 2017; Nambisan, 2002; Kaulio, 1998). The customer role as a resource is indirect and passive, meaning that they do not actively interact with the company to share information (Cui & Wu, 2017; Nambisan, 2002).

2.2.1.2 Customer as a Co-Creator
Another customer role that is relevant to the PD process is customer as a Co-Creator, which involves customer participation in product design and development (Nambisan, 2002; Cui & Wu, 2017; Kaulio 1998). In this role the customers can e.g. contribute to the validation of product architectural choices, the design and prioritization of product features. The customer as a Co-Creator can hence contribute to a variety of development and product design activities (Nambisan, 2002; Kaulio, 1998). The customer role as a Co-Creator is a direct and active role in being a co-developer. Thus, there is a two-way communication between the firm and the customers. Hence, the customers act as collaborators in the PD process, they can take the initiative to provide knowledge and information that they evaluate as important but is not asked for by the company (Cui & Wu, 2017; Nambisan, 2002). However, Nambisan (2002) states that the role of the customer as Co-Creator is often more apparent in industrial products than in consumer products.

2.2.1.3 Customer as a user
The final role that the customer can take in the PD process is the customer as a user, meaning customer can be involved in the product testing and in product support (Nambisan, 2002; Kaulio, 1998). Since the customers are the primary users of the goods and services they can provide with very valuable input in this phase. By involving them in the product testing can increase the possibility of detecting product flaws and to minimize rework and redesign which can save the firm a lot of money (Nambisan, 2002). The customer role as a user is direct since the customer actively participate in testing the product and providing feedback to the company (Cui & Wu, 2017; Nambisan, 2002).

2.2.2 Challenges with customer involvement
As mentioned above, customer involvement may lead to successful value co-creation, but to effectively deploy such collaboration companies need to both consider and evaluate different potential challenges and benefits (Nambisan, 2002). In order to give a good overview, a
summarized table will be presented down below consisting of all the specified challenges and benefits with customer involvement (see Table 2.2).

Nambisan (2002), states that companies often find it hard to locate and select appropriate customer innovators and to know whether to involve only existing or also potential future customers. It has also been identified that companies find it challenging to create a bond with the customers. Further, Nambisan (2002) means that companies find it difficult to create suitable incentives to motivate and increase customers’ willingness to provide with novel product ideas. To encourage customer participation in the PD process companies might therefore need to pay a high cost, which consequently can negatively impact the return on the investment. In addition, the customer might not possess enough knowledge about the product in order to be able to be involved in the process in the most efficient way possible. As a consequence, the company then needs to invest in increasing customer knowledge in a certain field (Nijssen, Hillebrand, De Jong & Kemp, 2012).

Furthermore, Nijssen et al. (2012) found that companies often are busy in satisfying the customers’ short-term needs and demands, meaning that a compromise on time and effort on more long-term project involving higher advanced product development and innovation could arise. Such a compromise could possibly harm the long-term competitiveness. In addition, Nambisan (2002) discusses the effectiveness in relation to the input in the product development process when involving customers. It may take too long time to develop a product, particularly in the concept and the development phases, if the firm gets too much information from the customers. It is hence important to arrange the PD setting so that the contributions from the customers are in balance with the product development process. Thus, the process of involving and collaborating with customers needs to be well managed. Companies should be aware of the fact that the information from customers can change the direction of the project several times, and therefore they need to be able to quickly navigate the development process, otherwise costs related to slowing down the process may occur. (Nambisan, 2002).

When collaborating with customers, transparency is an important factor to take into consideration (Prahalad & Ramaswamy, 2004; Nambisan, 2002). Nambisan (2002) states that “Transparency indicates a condition of high awareness and openness achieves as a result of intense communication and exchange of information, both of which make the role expectations of the participants, as well as the internal workings in the development process” (p.407). Transparency enhances the ability to co-develop trust and without transparency the customer might give less useful information due to that she or he does not clearly understand its specific role in the PD process or how the given information will be processed (Prahalad & Ramaswamy, 2004; Nambisan, 2002). However, transparency can also be a risk for the company since information about the product being developed can be leaked to competitors. Therefore, transparency needs to be seriously handled and an assessment of the collaborating customers is important (Prahalad & Ramaswamy, 2004). However, Prahalad and Ramaswamy (2004) further state that information leakage is never desirable, but to be able to create and nurture a certain level of trust it is sometimes imperative to open up the company.

Another distinguished challenge is associated with the evaluation of customer suggestions (Cui & Wu, 2017; Nambisan, 2002). The firm needs to be able to sort out the valuable information in a structured way. Also, the customers who are providing with a lot of input might represent a small group of people, meaning that their contributions might not represent the larger population. If the company chooses to listen to these inputs which are not representative of the
whole population, it might lead to that the developed product do not match what the whole customer group desires. (Nambisan, 2002).

Lastly, Mahr, Lievens and Blazevic (2014) argue that previous research often does not put emphasis on the high risk related to cost when creating a co-creation process. The identification and integration of customers requires a large investment in both money and time, especially when dealing with face-to-face communication channels which might outweigh the benefits of the project. This hence can be a great challenge that companies face when involving the customers in the PD process and should be taken into account.

2.2.3 Benefits with customer involvement

In order to fully utilize the value with customer involvement in the PD process it is important to also understand the different benefits and incentives for customers to collaborate with the company, as well as the benefits for the company to engage in collaboration with the customers.

For the customer, the value creation process is beneficial in a social integrative sense. It increases the sense of belonging to a community, a feeling of accomplishment, enjoyment of the co-creation process and through co-creating novel product that is a better fit for customers’ needs can imply positive cognitive benefits. Also, as an involved customer, it is likely that he or she will receive new products or upgrades before the rest of the market does, which can create a feeling of exclusivity. (Gemser & Perks, 2015).

For the firm, several benefits with involving the customer have been acknowledged. A primary reason is to get accurate insights and understand customers’ demands. Customer co-creation therefore enhances the chance of product adoption in the targeted market since the customer involvement increases success in terms of product-customer fit. Consequently, it contributes to positive product financial performance as it increases sales, profit and market share. (Mahr et al., 2014). Further, by involving customers, a greater diversity of knowledge input will be included in the PD process, potentially leading to a greater creativity level which can increase the probability of breakthrough ideas (Kristensson, Gustafsson & Trevor, 2004). Furthermore, Magnusson et al. (2003) state that customer involvement can lead to reduction of market failure and error in the early PD process.

As earlier mentioned, one challenge with customer involvement in the PD process is that it can harm the efficiency and that the development can take too long time if not managed properly (Nambisan, 2002). However, Kristensson et al. (2004) argue that if the collaboration is managed in a correct way the transfer and transformation of customer knowledge can instead speed up the PD process.

<table>
<thead>
<tr>
<th>Customer involvement in the PD process</th>
<th>Challenges</th>
<th>Benefits</th>
</tr>
</thead>
<tbody>
<tr>
<td>Selection of customer as innovator (Nambisan, 2002)</td>
<td>Cognitive benefits for customers (belonging to a community, feeling of accomplishment, enjoyment) (Gemser &amp; Perks, 2015)</td>
<td></td>
</tr>
<tr>
<td>Need for varied customer incentives (Nambisan, 2002)</td>
<td>Increased success in terms of product-customer fit (Mahr et al., 2014)</td>
<td></td>
</tr>
<tr>
<td>Enhancing customers’ product/technology knowledge (Nijssen et al. 2012)</td>
<td>Greater diversity of knowledge &amp; enhanced creativity (Kristensson et al., 2004)</td>
<td></td>
</tr>
</tbody>
</table>
### Table 2.2. Summary of challenges and benefits with customer involvement.

<table>
<thead>
<tr>
<th>Challenge/Impact</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Compromise on time and effort (short vs long term projects)</td>
<td>(Nijssen et al. 2012)</td>
</tr>
<tr>
<td>Effectiveness in relation to input</td>
<td>(Nambisan, 2002)</td>
</tr>
<tr>
<td>Evaluation of customer suggestions</td>
<td>(Cui &amp; Wu, 2017; Nambisan, 2002)</td>
</tr>
<tr>
<td>Cost when creating a co-creation process</td>
<td>(Mahr et al., 2014)</td>
</tr>
<tr>
<td>Leakage of information to competitors</td>
<td>(Prahalad &amp; Ramaswamy, 2004; Nambisan, 2002)</td>
</tr>
<tr>
<td>Increased probability of breakthrough ideas</td>
<td>(Kristensson et al., 2004)</td>
</tr>
<tr>
<td>Speed up the PD process</td>
<td>(Kristensson et al., 2004)</td>
</tr>
<tr>
<td>Increased revenue</td>
<td>(Mahr et al., 2014)</td>
</tr>
<tr>
<td>Reduction of market failure and errors in the early phases of PD</td>
<td>Magnusson et al., (2003)</td>
</tr>
</tbody>
</table>

2.3 Social media

With the above presented theory concerning the PD process and customer involvement it has been shown that customers can play an important role in the process and that they can serve as different roles depending on which phase in the process they are being involved. Also, the different attributes to take into consideration when involving the customers has been brought up. The subsequent step is to define social media, examine different types of social media and recognize what challenges and benefits that are commonly associated with utilizing social media in the PD process.

2.3.1 General Definition

Social media is a commonly used term and different social media platforms have become an integral part of everyday life (Sloan & Quan-Haase, 2016). The term social media has multiple meanings which has generated several interpretations on what social media is and what different platforms, tools and social phenomenon that should be included in the term (Correa, Hinsley & De Zúñiga, 2010; Gruzd, Staves, & Wilk, 2012; Kaplan & Haenlein, 2010; Sloan & Quan-Haase, 2016). Kaplan and Haenlein (2010) who are prominent researchers in the field define social media with references to Web 2.0: “Social media is a group of Internet-based applications that build on the ideological and technological foundations of Web 2.0, and that allow the creation and exchange of User Generated Content” (p.61).

Kaplan and Haenlein (2010) further indicate that web 2.0 is “a platform whereby content and applications are no longer created and published by individuals, but instead are continuously modified by all users in a participatory and collaborative fashion” (p.61). To distinguish web 2.0 from web 1.0, the authors explain that the idea of content publishing on e.g. personal web pages refer to the era of web 1.0 while in web 2.0 it is replaced by wikis, blogs and collaborative projects. The conceptual idea of collaboration is what differentiate the two eras, meaning that the shift is not based on any particular technological revolution (Kaplan & Haenlein, 2010). Kaplan and Haenlein consider web 2.0 as the platform for the evolution of social media.

While the ideological and technological foundation represents web 2.0, Kaplan and Haenlein (2010) mean that the user generated content can be seen as “The sum of all ways in which people make use of social media” (p.61). The different types of social media content that are publicly accessible and created by end-users is often applied in order to describe the term. In other words, social media refers to the services offered to users, Web 2.0 to the technologies
that enable the easy use of the services, and user generated content to the texts, images, videos, etc. produced.

2.3.2 Types of social media
Within the above explained general definition of social media, there are different types of social media that need to be distinguished further. According to Kaplan and Haenlein (2010) classification of social media can be made based on the richness of the medium and the degree of social presence it allows.

Kaplan and Haenlein (2010) propose the following categorization of different social media services: blogs, social networking sites (e.g. Facebook), collaborative projects (e.g. Wikipedia), content communities (e.g. YouTube), virtual social worlds (e.g. Second Life), virtual game worlds (e.g. World of Warcraft).

<table>
<thead>
<tr>
<th>Type of social media</th>
<th>Examples</th>
<th>Definitions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Blogs</td>
<td>WordPress</td>
<td>Website that displays date-stamped entries in reverse chronological order. Blog comments are usually the discussion centered around the topic of the blog.</td>
</tr>
<tr>
<td>Social networking sites</td>
<td>Facebook, LinkedIn</td>
<td>Allow users to construct a public or semi-public profile including for example photos, videos, and blogs. Users can connect with other people and send instant messages or emails between each other.</td>
</tr>
<tr>
<td>Collaborative projects</td>
<td>Wikipedia, Google Docs</td>
<td>Enable the joint and simultaneous creation of content by many end-users.</td>
</tr>
<tr>
<td>Content communities</td>
<td>YouTube, Pinterest, Flickr, Twitter, Instagram</td>
<td>Service that allows people to share media content such as pictures and video between users. Common is that these services also have the possibility to add other social features such as profiles, commenting etc.</td>
</tr>
<tr>
<td>Virtual game or social worlds</td>
<td>World of Warcraft, Second Life</td>
<td>Platforms that replicate a three-dimensional environment in which users can appear in the form of personalized avatars and interact with each other as they would in real life.</td>
</tr>
</tbody>
</table>

*Table 2.3: Different types of social media adopted from Kaplan and Haenlein (2010) and Sloan and Quan-Haase (2016)*

2.3.4 Challenges with using social media
In addition to the earlier mentioned conditions to take into consideration when choosing to collaborate with customers, companies need to evaluate both the challenges and benefits with utilizing social media in the PD process as it will increase a beneficial outcome (Bartl, Füller, Mühlbacher & Ernst, 2012). The challenges and benefits will be further down presented in a summarized table (see Table 2.4)

Edvardsson, Kristensson, Magnusson and Sundström (2012) imply that social media is beneficial for creating a close relationship with customers and that it is required for an effective product development process. However, they argue that social media is not a fit for every company and does not necessarily need to bring success. Hence, they argue that it is not sufficient to only follow the customers. Greater effort is needed to be invested in order to
succeed. The company needs to be engaged with the customers and go beyond just listening to them. (Edvardsson et al., 2012). Consequently, Kaplan and Haenlein (2010) state that frequent activity is necessary, which might be a challenge as many companies do not have time to employ such a level of commitment and engagement. Also, the time resources needed do also require personnel and financial resources (Kärkkäinen, Jussila & Väisänen, 2010).

Bartl et al. (2012) conclude that due to different disadvantages with social media, many companies have still not reached the expected advantages from customer interaction. The different disadvantages and challenges with social media that the authors bring up are issues such as intellectual property problems and secrecy issues, unbalanced target group orientation meaning that the customers’ ideas and needs can be rather specific and not transmitted to a larger target group. Furthermore, research has shown that it can be hard for a customer to visualize a product and give accurate feedback before a prototype is made and that social media makes it even harder for the customer to understand the product since he or she cannot use all the senses (Liu & Kop, 2015).

Liu and Kop (2015) have done an extensive literature review on the topic of social media in PD with regard to its benefits and challenges. They conclude that the different challenges that companies face concerns difficulties to manage huge amount of information, identifying customers’ hidden needs and lack of absorptive capacity. Also, as there is a lot of available information it can be hard to navigate through this informational landscape and to know which information could enable added value. Hence, a challenge is to implement an effective evaluation tool and infrastructure that will enable to process the information (Liu & Kop, 2015).

Moreover, Kaplan and Haenlein (2010) imply that social media can lead to difficulties for companies to control their content. It can both result in negative and faulty content and if the company do not detect it immediately it might be hard to erase it because that will not be tolerated by the customers, which in turn can further harm the brand. Further, it is argued that social media can result in generation of negative content and publicity, accessible for all (Kaplan & Haenlein, 2010).

2.3.4. Benefits with using social media

It is important that companies are present on social media as it is a great part of the customer’s everyday life. Consequently, it leads to an increase of legitimacy. Furthermore, social media creates the opportunity for firms to follow consumer’ needs and provide an easier way to filter and analyze these needs. It provides a medium that lets anyone to reach information with no geographical or time limits. (Kaplan & Haenlein, 2010). As mentioned earlier in chapter 2.2.4, a challenge with involving consumers in the PD process is the cost aspect. However, Mahr et al. (2014) state that new digital communication channels such as social media can lessen the cost as the firm can reach out to a lot of consumers. Consequently, leading to relatively low cost and higher level of efficiency in comparison with more traditional communication tools (Kaplan & Haenlein, 2010; Liu & Kop, 2015). Social media therefore enhances the effectiveness and efficiency of co-creation through decreasing the cost of interaction among the company and the customers. Through letting a larger number of consumers contribute to a co-creation opportunity, the “knowledge stock” in the company increases and the probability that the knowledge gathered will represent the customer population increases. (Liu & Kop, 2015). Füller, Hutter and Faullan (2011) further argue that social media allows customers to collaborate from all over the world, leading to higher social interaction (Kaplan & Haenlein, 2010). Customer collaboration through social media applications notably affected the quality
and quantity of the input from the customers in comparison with any other channel (Füller et al., 2011).

Additionally, Füller, Matzler and Hoppe (2008) found in their study that customers who are members of social media communities are to a high extent willing to provide with information and knowledge to the innovation process. The researchers imply that these customers have a positive image of the brand and feel an interest in participating in the PD process if allowed to. Further, the authors state that by using social media the company can provide members with the opportunity to experience sharing, come up with novel ideas, solve problems and give recommendations for product improvements (Füller et al., 2008). Moreover, Liu and Kop (2015) mean that social media are interactive communication channels which provides the participants with a relationship platform among the customers and the firm. Further, Colliander and Dahlen (2011) compare the impact of blogs as a social media application versus online newspapers. Their result reveals that social media is much more efficient when it comes to connecting with customers, in comparison with more traditional communication channels (Colliander & Dahlen, 2011). Thus, social media is a convenient tool to communicate and update the customers with relevant information (Kaplan & Haenlein, 2010).

<table>
<thead>
<tr>
<th>Challenges</th>
<th>Benefits</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>High level of effort is needed in order to succeed</strong></td>
<td>By using social media, the legitimacy for the company increases (Kaplan &amp; Haenlein, 2010)</td>
</tr>
<tr>
<td>(Edvardsson et al., 2010; Kaplan and Haenlein, 2010; Kärkkäinen et al. 2010)</td>
<td></td>
</tr>
<tr>
<td><strong>Unbalanced target group orientation</strong></td>
<td>Follow consumer needs and provide an easier way to filter and analyze these needs (Kaplan &amp; Haenlein, 2010)</td>
</tr>
<tr>
<td>(Bartl et al., 2012)</td>
<td></td>
</tr>
<tr>
<td><strong>Secrecy issues &amp; intellectual property difficulties</strong></td>
<td>Reach out to a large number of users regardless of geographical location (Kaplan &amp; Haenlein, 2010)</td>
</tr>
<tr>
<td>(Bartl et al., 2012)</td>
<td></td>
</tr>
<tr>
<td><strong>Lack of absorptive capacity and difficulties to manage huge amount of information</strong></td>
<td>Relatively low cost and higher level of efficiency of information collection in comparison with more traditional communication tools (Mahr et al., 2014; Kaplan &amp; Haenlein, 2010; Liu &amp; Kop, 2015)</td>
</tr>
<tr>
<td>(Liu &amp; Kop, 2015)</td>
<td></td>
</tr>
<tr>
<td><strong>Identifying customers’ hidden needs</strong></td>
<td>Enables relationship building between C2C and B2C (Liu &amp; Kop, 2015)</td>
</tr>
<tr>
<td>(Liu &amp; Kop, 2015)</td>
<td></td>
</tr>
<tr>
<td><strong>Lack of effective evaluation tool and infrastructure</strong></td>
<td>Higher probability that the “knowledge stock” in the company increases (Liu &amp; Kop, 2015)</td>
</tr>
<tr>
<td>(Liu &amp; Kop, 2015)</td>
<td></td>
</tr>
<tr>
<td><strong>Can be hard for customers to visualize without an accurate prototype</strong></td>
<td>Customers who are a member of social media communities are to a high extent willing to provide with information and knowledge to the innovation process (Füller et al., 2008)</td>
</tr>
<tr>
<td>(Liu &amp; Kop, 2015)</td>
<td></td>
</tr>
<tr>
<td><strong>Difficulties for companies to control their content</strong></td>
<td></td>
</tr>
<tr>
<td>(Kaplan &amp; Haenlein, 2010)</td>
<td></td>
</tr>
</tbody>
</table>

Table 2.4. Summary of challenges and benefits with social media
2.4 Luxury goods industry

The luxury goods industry is complex, and it is therefore important to possess knowledge about luxury as a concept and what it really entails to be a luxury brand since it creates the foundation of how brands are communicating and interacting with their customers. Thus, an understanding of the industry is essential in order to be able to answer the research question.

2.4.1 Definition of luxury goods

The definition of the term luxury is blurry and not as straightforward as it once was back in the beginning of the twentieth century. Today it is more fragmented and ambiguous. Brun, Castelli and Karaosman (2017) argue that luxury is a perceived notion of what luxury actually represents and it inhabit value, rather than a completely agreed definition.

Consequently, there is no commonly accepted definition of luxury even though the subject is an extensive academic discussion (Kapferer, 2012; Berthon, Pitt, Parent & Berthon 2009; Turunen, 2018). However, the literature presents a disparity of attempts to define the term. Social cultural context, consumers’ subjective perceptions, time liability and product features are all factors influencing the qualities of luxury (Berthon et al., 2009). Giacosa (2018) means that luxury are products that contain rare and precious materials, whereas Kapferer and Bastien (2009) and Turunen (2015) associate luxury with the lifestyle of the privileged elite. Berry (1994) defines luxury goods as desirable objects that bring pleasure. Kapferer (2012) elaborates further on this statement and argues that luxury objects create additional pleasure which flatter all of our five senses (sight, hearing, smell, taste and touch) at the same time. Roper, Caruna, Medway and Murphy (2013) rather argue that the financial value constitutes one crucial component of luxury. Brun et al. (2017) adds on and touch on the price sensitivity, where luxury is then seen as any product that is at least two or three times more expensive than a cheaper version.

Despite different definitions, researchers seem to agree that luxury is something that is more than a necessity (e.g Bearden & Etzel, 1982; Heine, 2012; Kapferer, 2012; Reith & Meyer, 2003). Additionally, availability or exclusivity of resources are what distinct the line between necessity and luxury. Necessities can hence be accessible and possessed by anyone whereas luxury goods are only available exclusively to a set of consumers or under exceptional occasions (Bearden & Etzel, 1982; Berthon et al., 2009; Berry, 1994). Therefore, luxury is commonly referred to as something unattainable and unreachable (Turunen, 2018). However, today’s consumption habits have changed, and people spend their income on more than on pure essentials i.e what is necessary (OECD, 2019). The luxury of a resource is therefore not solely based on its availability. Kemp (1998) argues that there is a resemblance between Maslow’s hierarchy of needs and the necessity-luxury continuum. This as Maslow’s theory is based on the basic physiological needs (necessities) up to self- actualization (luxuries). Hence, luxuriousness is also based on people’s desire for it. Nia and Zaichkowsky (2000) further argue that the physiological benefits are of high importance which separates luxury from non-luxury objects. The social function is therefore the key attribute in luxury goods. However, there must be a great personal and hedonistic component in order for something to be luxurious. Arguably, hedonism precedes functionality in luxury. The customers of the brand also have to be impressed by the philosophy, identity and culture of the brand. Therefore, branding is a very important attribute within the luxury goods industry and due to that the competitive landscape is changing it is becoming even more crucial. (Kapferer & Bastien 2009).
To differentiate, brands operate at diverse levels within the luxury sphere from being affordable luxury to being supreme luxury (see Figure 2.2).

![Hierarchical segmentation of luxury brands](image)

**Figure 2.2. Hierarchical segmentation of luxury brands. Adopted from Corbellini and Saviolo, 2009, p. 113.**

2.4.2 Internet’s impact on luxury goods industry

Kapferer (2012) argues that internet is the greatest challenge that the luxury has ever met. It is redefining and blurring the lines of what luxury is. The internet is stated to be the most democratic medium in the world as it enables access to anyone and anywhere. Technology and social media hence create brand awareness on a completely new level and range than ever before (Chandon, Laurent & Valette-Florence, 2015). It gives people the opportunity to go inside companies and into the heritage of the brands (Kapferer, 2012). Luxury brands have hence become available to almost anyone. Arguably, the rise of internet imposes a paradox for the luxury goods industry, maintaining exclusivity and the brand DNA while still being widely accessible (Turunen, 2018). There is therefore a delicate balance between exclusivity and accessibility, which is one of the main reasons why the brands within the luxury industry were slow to adopt social media. Luxury brands did not want to become too accessible to the masses. However, brands have become pushed to enter the digital space and adapt to consumers’ demands and new purchasing patterns in order to create authenticity among consumers. (Chandon et al., 2016; Turunen, 2018). Consequently, the concept of luxury has extended due to the rise of internet.

Wherefore, old structures and systems together with social hierarchies have been reshaped as a consequence of the present world of individualism, dreams, countless opportunities, new technologies, internet and social media (Turunen, 2018). Thus, it is the customers who are defining the contemporary definition of luxury and brands need to be reactive, attentive and adaptable while still being true to their core values (Bain & Co, 2018; Turunen, 2018; Kapferer, 2012). It is therefore important to highlight self-indulgence which is a personal and emotional value that is increasingly more important among today’s luxury consumers (Becker, Jung & Nombre, 2018). The fulfilment is created through both the experience and the luxury products. Hence, the intangible and abstract dimension is becoming to play an even more important role as the progressive transition is taking place. As luxury is a multidimensional construct that goes beyond the product itself, it is important to understand the holistic view of the brand experience. It is about “combining brand characteristics and marketing with the less controllable images of the brand in the consumption context, and how the brand is a part of consumers’ lives”
Contemporary luxury consumers are therefore creating a need for brands to put a greater emphasis on brand’s story, narrative and values as the consumers want to be a part of the experience and feel a sense of belonging (Deloitte, 2016; Sivanathan & Pettit, 2010). As a consequence, brands are adopting on this new luxury strategy and putting emphasis on conveying the luxury values in the new digital era.

2.4.3 Product development within luxury goods industry

Giacosa (2016) argues that firms within the luxury goods industry must adopt an effective and efficient innovation strategy to stay competitive on the market. Product development has shown to provide both practical and theoretical implications for fostering innovation and improve company performance (Drejer, 2004; Adner & Levinthal, 2001). In order to increase the utility level of a brand’s products and maintain customer loyalty, product development and innovative strategies have shown to be of great essence (Giacosa, 2016; Okonkwo, 2007). Additionally, it has been shown that the customer’s needs should be considered when developing new products as it enables the customer to feel a belonging to a specific social affiliation and also please the customers of the brand (Giacosa, 2016; Muthu & Gardetti, 2018). It is then important to acquire the attention of both existing and potential customers. By implementing new digital and innovative instruments, such as social media (Okonkwo, 2009; Donaldson, 2011), can enable to catch the consumer’s attention. These tools further contribute to the product development process and strengthen the brand of the company as it increases the level of customer engagement and interest in the brand (Giacosa, 2016). Koo and Rha (2012) and Woodside and Ko (2013) state that one of the most crucial factors in the value co-creation process between a firm and its customers is when the customer actively decides to interact with the brand as this is when learning takes place. In line with the luxury industry, the brands have always valued to establish strong relationships with their customers as it is one of the cornerstones for long lasting success (Choi, Chai, Nam, Yang & Protappa, 2014; Choi et al., 2015). Luxury firms hence have always put a lot of emphasis on creating novel interaction and innovative experiences through co-creation encounter with their customers (Lee, Oh & Kim, 2013; Choi et al., 2015). Also, it is important from an organizational aspect to establish an intervention of a company’s all functional areas when working with innovation and product development (Muthu & Gardetti, 2018).

Furthermore, it is of high importance in the luxury goods industry that companies possess a long-term vision when constructing the strategy and developing new products as it enables to generate consistent value over time. Hence, social and symbolic assets, inherited in the brand value, must be maintained in a long-term period. (Neumann, 1997; Kapferer, 2008; Muthu & Gardetti, 2018). Thus, the brand’s heritage and identity (reputation, values and trust) must be taken into consideration when constructing a strategy and hence developing new products (Bordieu, 1977; Kapferer, 2008). This as it ensures authenticity and sustainability (Giacosa, 2016). Bresciani, Bertoldi, Giachino and Ferarris (2013) and Giacosa (2012) further highlight the essence of incorporating the brand’s values, DNA and philosophy together with the product development process and the customer interactions. This as it impacts the customer’s perception of the brand, consequently leading to preserving customer loyalty in a sustainable way (Bresciani et al., 2013). The lack of a long-term vision within the luxury goods industry may result in the company to become non innovative which can destroy the brand image and the heritage of the brand (Muthu & Gardetti, 2018).
2.5 Summary of theory

It can be concluded from the theory that there are six general iterative phases within a PD process; (1) Idea, (2) Concept generation & Definition, (3) Development, (4) Validation, (5) Launch and (6) Post Launch. Throughout the process, companies can interact with customers to develop or refine a product that is a better fit for the market. Customers can then carry out a wide range of roles within the PD process; Customer as a Resource, Customer as a Co-Creator and Customer as a User. Additionally, theory has shown that customer involvement comprises of both benefits and challenges which need to be taken into consideration in order to deploy a successful co-creation value. Furthermore, literature has shown that social media can be a tool to facilitate customer involvement in the PD process. Social media has been defined as: “[...] a group of Internet-based applications that build on the ideological and technological foundations of Web 2.0, and that allow the creation and exchange of User Generated Content” (Kaplan & Haenlein, 2010, p.61). However, by using social media successfully it is of relevance to address the opportunities and challenges with it.

Furthermore, since this study focus on the luxury goods industry, it is of essence to have knowledge about luxury as a concept and what it entails to be a luxury brand as it creates the foundation of how brands are communicating and interacting with their consumers. The literature has shown that no absolute contemporary definition of luxury do exists. The definition is continuously being reshaped as a consequence to the present world of individualism, countless of opportunities, dreams, new technologies, internet and social media. However, it can be concluded that the notion of exclusivity, brand value, heritage and strong customer relationship seem to be of great importance in regard to luxury goods. Additionally, contemporary luxury is creating a need for brands to put a greater emphasis on brand’s story, narrative and values as the consumers want to be a part of the experience and feel a sense of belonging.
3. Methodology

The following chapter aims to present and justify for the chosen methodology in order to investigate the utilization of social media as a potential tool to facilitate customer involvement when developing luxury goods products. Hence, the chosen research strategy is firstly presented followed by the research design. The chapter then presents the research method with an overview of the selected companies and industry experts. Subsequently, the applied data analysis process is further discussed. Lastly, the chapter ends with a demonstration of the quality level of the research.

3.1 Research Strategy

A qualitative research has been applied in this study as previous research has not yet been done before in the field of customer involvement and utilization of social media in the luxury goods industry. The research therefore has an exploratory approach. Thus, there is a need to explore the subject in depth and analyze the perceptions of different actors in a subjective approach, instead of applying an objective approach which is commonly linked with a quantitative research strategy. According to Bryman and Bell (2011), a qualitative research strategy is to prefer when there is not so much existing knowledge of the subject. Hence, the role for the chosen research question is to understand how luxury goods companies use social media in their product development process. This implies that it is necessary to examine the topic from the company's perspective and understand their underlying reasons and how they experience it. Consequently, a qualitative strategy with interviews gives the possibility to understand the interviewees’ perceptions and opens up for exploring novel data, which is aligned with the chosen exploratory research question (Bryman & Bell, 2011). Further, in comparison with a quantitative strategy, qualitative interviews provide the opportunity to ask additional questions when there is a need of clarification (Bryman & Bell, 2011). As argued in the literature review, the luxury goods industry is a complex one and as the subject is relatively unexplored in the given industry it is of greatest essence to fully understand the why which is best achieved through qualitative interviews.

Moreover, as the research is of exploratory kind the approach to theory in this study is inductive. Hence, it means that theory is the outcome of the research. Additionally, the approach involves drawing generalizable conclusions out of observations (Bryman & Bell, 2011). The study therefore starts in observations and findings with the aim to generate theory in order to be able to answer the research question. Hence, different themes that are identified in the empirical findings are later combined with the literature which are be used to answer the chosen research question.

3.2 Research Design

Bryman and Bell (2011) argue that a case study design is the most appropriate design when the research question is framed as how or why about a contemporary circumstance that the researchers have restricted control over. In addition, case studies are recommended when there is restricted available theory about the topic, the contexts are of great essence and when the research is of exploratory kind. The research question of this study is how social media is used as a tool to facilitate customer involvement in the product development process in luxury goods companies. Consequently, the research design that has been applied for this research is a case study. More, specifically a multiple case study design. Hence, there is an inclusion of seven different cases together with four interviewed industry experts. Bryman and Bell (2011) argued that a multiple case study is beneficial when generating theory as the findings from the cases
can be strengthened by repeated findings from the whole set of the selected cases. Thus, enabling to detect similarities and differences from several cases which can enhance the stability and level of theory building (Bryman & Bell, 2011). Consequently, a multiple case study design gives a breadth which is appropriate when having an exploratory approach and combining different topics in a new way (Bryman & Bell, 2011).

3.3 Research Method

In order to be able to answer the stated research question, the collection of data is based both on secondary and primary data. Firstly, the data was collected through a systematic literature review based on secondary data. Secondly, the primary data collection was performed by conducting qualitative interviews with companies and experts operating within the luxury goods industry.

3.3.1 Secondary Data Collection

In order to gain insights in previous research and existing knowledge a systematic literature review was performed. Bryman and Bell (2011) state that a systematic literature review is a structured and programmed way to go through a comprehensive number of literatures in a certain field.

Different databases were used to ensure that a sufficient number of relevant literature were found. The utilized databases were Business Source Premier, Emerald and Google Scholar. They were chosen due to their accessibility, field, quality and breadth. The keywords included in the literature review were: product development process, social media, customer involvement, luxury goods, luxury brands, customer roles, digitalization, open innovation, customer co-creation.

The inclusion criteria were to include articles that were published in established academic journals, peer reviewed and that had a concentration aligning with the subject of the study. A few articles (Bain & Company, 2018; McKinsey, 2014; McKinsey, 2018; Deloitte, 2018) were not published in an academic journal but since they were particularly relevant for the study and seen at trustworthy sources some exceptions were made. The exclusion criteria encompassed articles which had a certain focus outside the scope of this study and articles written in other languages than Swedish or English.

3.3.2 Primary Data Collection

The primary data was collected based on semi-structured interviews with seven luxury goods companies and four industry experts. Semi-structured interviews were chosen to use due to its flexibility and assurance of maintaining a sufficient level of structure and focus during the interviews. Hence, relatively open questions were asked to all the respondents. The questions were prepared in an interview guide in advance. An interview guide provides structure as it helps to create cohesive interviews but still allowing the respondent to express and elaborate further on the question. Furthermore, it gives the researchers flexibility as the questions do not need to be asked in the same order rather they can be brought up when it is most suitable, depending on the answers given by the respondents. Semi-structured interviews were also chosen due to the exploratory approach of the study, as it enabled the researcher to focus on the important aspects highlighted by the respondents. Thus, giving further and deeper insights and understanding in the novel topic. In comparison to structured interviews, it enabled the researchers to ask follow up questions which enabled additional insights. However, it is
important to highlight the awareness that needs to be taken by the researchers when using semi-structured interviews. Hence, the researchers need to have an unbiased approach in order to eliminate the risk of misinterpretations but also to assure that the questions are asked in a way that will generate comparable content between the conducted interviews. (Bryman & Bell, 2011).

3.3.2.1 Selection of interviewees

To conceive a broad and profound level of the gathered data and to increase the external validity, seven companies were interviewed. Additionally, four industry experts were interviewed in order to understand the complexities and changing circumstances of customer involvement in the luxury goods industry and also what impact social media has on the industry. Thus, the industry experts contribute to the generation of a more extensive analysis of the empirical findings regarding the usage of customer involvement through social media among the companies. Also, all interviewed industry experts possess great experience working with several luxury goods companies and with different matter of subjects such as branding, social media, innovation and consumer psychology research in luxury behavior etc. Consequently, the aim with the industry experts’ contributions to the study was to help answering the research question in a broader and profound way.

Furthermore, the different luxury goods companies in this study were chosen by three criterions. The first criterion was that the interviewed companies had to operate within the luxury goods industry, regardless of any specific category within the segment. The decision was based on that the researchers did not want to narrow the study and focus on a given category too much as the aim was to give an overview of the luxury goods industry. In addition, the researchers had a limited access to resources in terms of both time and contacts. Hence, being the reason why not every category within the luxury goods segment are represented in the study. However, the selected companies range from traditional ultra-luxury through super premium and aspirational luxury to affordable/accessible luxury. The second criterion was that all of the included companies needed to have a strong consumer brand since it can increase the possibility of customer involvement (Crawford & Di Benedetto, 2011). The third criterion was that the interviewed companies had to perform their own product development. In regard to the criterions for selection of the industry was that the experts had to possess different experiences and perspectives related to the topics of luxury goods, customer involvement, social media and product development. This to generate insights from different perspectives and to enable a more nuanced picture of the subject. Consequently, one expert was from the academic world and the other three experts were from the business world. Additionally, the sample size of both experts and luxury goods companies were based on the limited time constraints of the thesis and also the accessibility of interviewees.

Furthermore, the selection of the interviewees was based on using a convenience sampling method, more specific snowball sampling. This method implies that the researchers create an initial contact with a small number of people that are relevant to the study and then use these people to make contact with others (Bryman & Bell, 2011). Contacts in the researchers’ personal network were used and experts were used for referrals. The goal was to find and get in touch with people with positions such as Product Development Manager, Innovation Manager, Social Media Manager and CEO. Regardless of position, the importance was that the interviewee had insight in the product development of the company. The persons of interest were contacted through LinkedIn or by email and in some cases the contacted persons referred the researchers to other people to contact. The messages on LinkedIn and email described the topic, the researchers background and aim and how the companies could provide with value to
the study (see Appendix 2). The purpose of the study was also described to ensure that the contacted persons had the right knowledge for the topic. Furthermore, the industry experts were identified in a similar way as the companies and were contacted via LinkedIn, email or suggested by other experts.

3.3.2.2 Interview guides

As previously mentioned, semi-structured interviews were conducted. Hence, interview guides were created to guide and provide flexibility during the interviews. Consequently, it enabled to ensure that the right data would be collected and hence increase the possibility to answer the research question. This is also aligned with what Bryman and Bell (2011) suggest when conducting semi-structured interviews. Two different types of interview guides were created, one for the luxury goods companies and one for the industry experts (see Appendix 1). This as the conducted interviews with the respondents at the companies aimed to retrieve company specific data whereas the interviews with the experts aimed to capture a more general understanding of the topics.

Both interview guides were designed to capture all parts of the theoretical framework. The interview questions were therefore structured based upon how the literature was presented. This was seen as necessary to ensure that the right data would be collected. After a first draft of the interview guides had been formulated, it was pre-tested on a test person with the purpose of getting feedback about the clarity and the relevance of the questions. This is recommended to do by Bryman and Bell (2011) to make sure that questions are clear and easy to understand. Changes were then made based on the feedback that was given. The finalized versions of the interview guides hence begin with general questions about the interviewee continuing with questions concerning the PD process, customer involvement, social media and luxury goods industry. In addition to the main questions, space was left in the interviews to ask follow up questions and discussing further matters that were brought up. Moreover, since the interviews with the industry experts were performed in parallel with the luxury goods companies, topics that appeared with the companies could be further discussed with the industry experts.

In order to let the interviewees feel prepared for the interview an overview of the main questions retrieved from the interview guides were sent out in advance. However, the complete list of questions was not sent since it could potentially affect the answers of the interviewees. The genuine perspective from the interviewees and how they experienced and perceived the topics themselves was the aspiration to capture during the interviews.

3.3.2.3 Conducting the interviews

The interviews were conducted in France, Denmark, Sweden and United Kingdom. Face-to-face interviews were preferred since it enhances the opportunity to get more nuanced conversations and is seen to increase the personal engagement from the interviewee as well as the understanding (Bryman & Bell, 2011). The majority of the interviews were held face to face. However, if this was not possible to arrange, a second option of communication channels were used in form of video conference.

All of the interviews were recorded to avoid the risk that information would be lost. The interviewees were asked for consent before starting to record the interview. After the interviews had been conducted, the recordings were used to transcribe the interviews in order to allow the collected data to be coded and analyzed. The transcription process began after the first interview and was performed in parallel with the remaining interviews. All of the interviews
were conducted in English in order to assure a high level of comparability between the interviews and as the research was conducted in English.

### Table 3.1. List of interviews with luxury goods companies

<table>
<thead>
<tr>
<th>Company</th>
<th>Name &amp; Title</th>
<th>Date &amp; duration</th>
<th>Format &amp; location</th>
<th>Language</th>
</tr>
</thead>
<tbody>
<tr>
<td>S.T. Dupont</td>
<td>Megha Malagatti: Executive Marketing Director</td>
<td>03-19-2019 60 min</td>
<td>Face-to-Face France</td>
<td>English</td>
</tr>
<tr>
<td>Swarovski</td>
<td>Christelle Sergent: Innovation Project Manager</td>
<td>03-20-2019 60 min</td>
<td>Face-to-Face France</td>
<td>English</td>
</tr>
<tr>
<td>J.Lindeberg</td>
<td>Jens Werner: Creative Director and Tomai Nordgren: Global Concept Manager</td>
<td>03-22-2019 60 min</td>
<td>Face-to-Face Sweden</td>
<td>English</td>
</tr>
<tr>
<td>By Malene Birger</td>
<td>Morten Linnet: CEO</td>
<td>03-25-2019 60 min</td>
<td>Face-to-Face Denmark</td>
<td>English</td>
</tr>
<tr>
<td>Ted Baker</td>
<td>Emily Davis: Social Media Manager</td>
<td>03-27-2019 45 min</td>
<td>Face-to-Face United Kingdom</td>
<td>English</td>
</tr>
<tr>
<td>Kering</td>
<td>Albert Bensoussan: CEO of the Watches and Jewelry Division (Boucheron, Pomellato, DoDo, Qeelin, Ulysse Nardin and Girard-Perregaux)</td>
<td>04-01-2019 60 min</td>
<td>Video Call</td>
<td>English</td>
</tr>
<tr>
<td>Company X</td>
<td>Anonymous</td>
<td>05-01-2019 60 min</td>
<td>Video Call</td>
<td>English</td>
</tr>
</tbody>
</table>

### Industry Experts

<table>
<thead>
<tr>
<th>Interviewee</th>
<th>Title/Experience</th>
<th>Date &amp; duration</th>
<th>Format &amp; location</th>
<th>Language</th>
</tr>
</thead>
<tbody>
<tr>
<td>Guillaume Olivié</td>
<td>Founder and CEO of LuxuryMetry - luxury brand management.</td>
<td>03-20-2019 60 min</td>
<td>Face-to-Face France</td>
<td>English</td>
</tr>
</tbody>
</table>
3.4 Data Analysis

According to Bryman and Bell (2011) a common analysis tool when conducting a qualitative research is a thematic analysis strategy. Thus, a thematic analysis was applied in order to process the collected data. A thematic analysis begins with coding the data, i.e. identifying small segments, followed by identifying themes among the codes which then were reviewed and refined (Bryman & Bell, 2011). In regard to this research the interview guides were therefore based on categories which were derived from the literature review. Also, the categories were divided into different colors and the interviews were then subsequently color coded accordingly in order to easily get an overview of the collected data. Thereafter, when all the interviews had been transcribed the interviewees’ answers in the different categories were compared to identify differences and similarities, followed by a comparison to the existing literature. In addition, both researchers coded the transcriptions on their own and compared the results. This was done in order to increase the quality of the study and to decrease the risk of bias since the author's personal view can affect the result.

3.5 Research Quality

When conducting a study there are some quality concerns to take in consideration. The quality is mainly affected by the research validity and reliability (Bryman & Bell, 2011) which therefore will be discussed in the following sections.

3.5.1 Validity

Validity of a research refers to the quality of conclusions, i.e. if the researchers are observing, identifying or measuring what is said to be measured. Validity can be divided into external and internal validity. The external validity focuses on the generalization of the findings. (Bryman & Bell, 2011). One main weakness with qualitative research is based on the non-probability sampling method, meaning that the selected companies and experts are chosen based on their specific characteristics and contexts. Thus, not representing a random sample of the population which limits the ability to generalize the findings. However, as a multiple case study design was applied the sample size increased in comparison if conducting only a single case study. Also, to increase the external validity in the study the different luxury goods companies and industry experts were interviewed from different parts of Europe. (Bryman & Bell, 2011). It can still though be questioned to what extent the result in this study can be generalized to the whole luxury goods industry as only seven companies and four experts were included.
However, the findings from the luxury goods companies demonstrated similar patterns which strengthens the external validity of the research. Furthermore, the internal validity refers to how well the drawn conclusions match the empirical findings. The internal validity tends to be a strength of qualitative research, and the chosen design of a multiple case study is a good prerequisite in order to achieve coherence between developed theory and observations. The reason for this is due to the fact that case studies give the opportunity to collect detailed and rich data (Bryman & Bell, 2011). In this study the internal validity was further strengthened by the action that the interview guides were evaluated before the real interviews were conducted in order for the respondents to fully understand the questions. Also, all interviews were recorded and then transcribed.

3.5.2 Reliability
Reliability can be divided into external and internal reliability. External reliability refers to how replicable the findings in a study are, i.e. to what degree other independent researchers would generate the same results in a similar or in the same setting. However, it is often a challenge to achieve a high level of replicability in a qualitative research since it involves unique social settings which are not static. (Bryman & Bell, 2011). To address this issue and enhance the external reliability of the research various actions have been undertaken. Firstly, the study entails an extensive description of the methodology, with description of how the research has been conducted, about the respondents and in what context the study has been undertaken. Additionally, by conducting semi-structured interviews and attaching the interview guide in the study enhance the replicability of the study. Lastly, the analysis process was performed in a structured way, according to the outline of the literature review which further strengthen the external reliability. However, it is important to highlight that the investigated topic is fairly new and that companies are starting to utilize social media to a higher extent. Thus, the observations and conclusions that have been made in the research run the risk of being obsolete in the near future. Consequently, it negatively impacts the replicability of the study.

Internal reliability refers to that the members of the researcher team agree on what they see and hear, i.e that they interpret the data in a similar way (Bryman & Bell, 2011). To increase the internal reliability of this study, both of the researchers participated during all interviews except during one due to unanticipated circumstances. Also, an auditing approach was performed which positively contributes to the internal reliability according to Bryman & Bell (2011). In addition, coding and transcription were done separately. A comparison of the results was then made to assure that the interpretations were aligned and comparable. Thus, in order to increase the level of internal reliability the researchers discussed their own interpretations with each other which enabled them to reach a coherent and joint understanding of the extracted information from the interviews. Lastly, the whole analysis and conclusion were done collaboratively.
4. Empirical Findings

The chapter entails the empirical findings of the luxury goods companies and the industry experts. Firstly, the findings of each company are presented and is done in the same order as the literature review and the interviews, i.e. beginning with a brief overview of the PD process and then continuing with customer involvement in the PD process and social media and its associated challenges and benefits. Secondly, the findings of the industry experts are presented.

4.1 Luxury Goods Companies

4.1.1 S.T. Dupont

PD Process
Megha Malagatti, Executive Marketing Director at S.T. Dupont, explains that the company has a structured PD process going from idea to launch but that it might differ a bit depending on the product. However, the respondent did not want to go through the process and its phases in a detailed way but mentions that the PD process takes approximately 12-24 months.

Customer Involvement in the PD process and the use of social media
At S.T. Dupont both internal and external ideas are incorporated in the PD process. Internally, the R&D team plays a central role followed by the ideas of the Creative Director, CEO and other departments in the company. Externally, customers’ preferences are also taken into account when developing new products. A selection and prioritization of the best ideas, internal as well as external ones, are then being integrated in the PD process at the given point or later on.

Malagatti highlights the essence of using focus group when it comes to launching a new product line. Thus, focus groups are mainly being used as the company gets the opportunity to deeply and broadly acquire insights about the topics that the customers discuss. She brings up an example when the company launched its Hyperdome watch. They then picked three markets in the world, France, Hong Kong and South Korea and five consumer focus groups that gave feedback on e.g. what kind of methodology that S.T. Dupont needed to apply, how the consumers wanted to view the watch on social media and what “talked and not talked” to them such as preferences on color combinations. The focus groups were also asked if it mattered that S.T. Dupont were currently not known for making watches. Thus, Malagatti says it was important to assess if the company possessed the legitimacy in watchmaking in general and among the targeted age group of 28 - 40 before the Hyperdome watch was launched.

Furthermore, S.T. Dupont does not use surveys since they prefer qualitative, one to one communication, rather than quantitative ones. Whenever they make a new product, they create 10 prototypes and send it to experts who also are the brand’s end customers. The experts then use the product for a few weeks in order to give feedback on necessary improvements. The recommendations are then taken into account by S.T. Dupont and adjustments are made.

However, when it comes to social media in the PD process, S.T. Dupont mainly use it in the idea, validation and launch phase. However, in the idea phase they use it to screen the market rather than for customer engagement, meaning that the customer is passive says Malagatti. In the validation and launch phase there is a two-way communication where the customer is having an active role. The company commonly uses social media channels such as WhatsApp, Instagram and WeChat to contact a set of their VIP clients in order to test new ideas and to have a continuous dialogue with them. Further, Malagatti reveals that the company also uses
these channels when customers order a tailor-made item, this to send updates during the development phase and communicate the making of the process through for example taking pictures and messages.

**Challenges and benefits with customer involvement in the PD process**

Malagatti says that the luxury industry is a very secretive industry and is therefore limited to involve the customers to a high extent. Furthermore, she says that customers cannot give input in all the stages in the PD process as brands do not want to involve the customer too much as it is “their baby” and as luxury brands are the trendsetters, not the followers she further implies. It is the designer who is defining the trends, he or she is not waiting for people to define it. Malagatti says:

> Karl Lagerfeld would never go and ask people “what do you want to wear”? So, when you are the leader you do not want the followers to decide what you want because you are making the follower to follow on your idea. Which is the whole ideology of luxury. (Megha Malagatti, March 19, 2019)

Additionally, customers do not always possess the extensive knowledge which is required to have early on in the PD process. Hence, the engineers of S.T. Dupont play a critical role. Malagatti implies that customers can only tell how a pen feels when they hold and write with it, but are unable to give further recommendations on what really needs to be changed. This due to lack of knowledge. However, Malagatti acknowledges the potential with involving the customer, especially ambassadors and influencers, to a higher extent in the PD process than they are currently doing. Hence, these co-creating customers could showcase their work and thereby make their fans become more interested in S.T. Dupont. Furthermore, Malagatti mentions that the customers the firm currently is collaborating with often want to participate as the customers want to be a part of the brand identity. Thus, customer incentive has not yet been acknowledged as a challenge for S.T Dupont says Malagatti. Still, a more extensive collaboration with ambassadors and influencers would require higher investments with paid partnerships.

Moreover, as earlier mentioned, one example when S.T. Dupont used focus groups was when the company wanted to investigate if the brand possessed the legitimacy to launch a new product line, the Hyperdome watch. Malagatti implies that by involving the customers it enabled S.T Dupont to decrease the risk of a market failure, i.e. launching a product that would not be desirable and aligned with the brand identity. Thus, inputs from customers enable S.T. Dupont to launch products which are more aligned with the demands of the customers says Malagatti. Furthermore, as S.T. Dupont sends prototypes to customers in order to receive feedback, it can contribute with new ideas. Malagatti reveals that by involving the customers really crazy, creative and novel inputs are being brought up which are interesting to listen to and to potentially integrating them in the PD process.

**Challenges and benefits with social media in the PD process**

One challenge that Malagatti highlights is that there are lot of people on social media that say that they know what they are talking about, but when S.T. Dupont actually interact with these people, they realize that this is not the case. It is hence hard to locate the right people that possess suitable knowledge states Malagatti. She adds on and says as consumers are being bombarded by advertisements on social media, it is hard to trap the attention span of the consumers. Consequently, using social media requires a high level of effort regarding time and to employ innovative ways to tailor their communication states Malagatti. Also, social media is growing so fast that it has gone out of their control as there is so much available data. Hence, they do not know how to use it and how to interpret the consumers’ needs reveals Malagatti.
Furthermore, Malagatti says that the use of social media creates further difficulties with controlling the content, such as making sure that influencers and customers in the launch phase are speaking S.T. Dupont’s brand language and DNA. Malagatti says:

They cannot shoot a S.T. Dupont video in a Dior way; we all have our own DNA’s. We need to make sure that we are speaking in our language to the consumers and not in another brand’s language. That is very important. (Megha Malagatti, March 19, 2019)

According to Malagatti another challenge with social media in the PD process is that it is hard for people to visualize the product. She says:

It is difficult for people to understand how the products looks like because at the conception stage it is hard to visualize how it would actually be used in reality. In the luxury industry S.T. Dupont is a product-based company, the product is a key. That is why in the prototype phase we have focus groups and do qualitative analysis. (Megha Malagatti, March 19, 2019)

This is one of the reasons why they use focus groups as it gives them a broader perspective than social media analytics are able to do states Malagatti.

In addition, Malagatti explains that digitalization and social media cannot touch on all five senses which are very important aspects in the luxury industry. Through digital channels luxury brands have difficulties to provide the whole package which limits their ability to convey the whole experience. Malagatti hence argues that digitalization and social media have several limitations when it comes to luxury brands and that these limitations are the reasons why social media is only a means to communicate and not the ultimate goal for a luxury brand. She exemplifies with that a person who is responsible to develop a new perfume will not use social media to understand what notes people like since consumers are not able to articulate what they like; they do not know the combinations and ingredients. They only know if they like the note or not. Malagatti adds on and says that:

In terms of product development there is very little room for luxury brands to actually collaborate unless you can find a solution where you can have a closed community, but again you do not get the opportunity to test the product in your hand which is very important. (Megha Malagatti, March 19, 2019)

Malagatti brings up another challenge with using social media which is how to combine modernity with heritage. Thus, heritage is of high importance for a luxury brand as this is what they are being valued for says Malagatti. Customers want to travel back in time. Malagatti hence states that the industry probably will never fully catch up and modernize because if they would do, they would lose the little “extra”. Luxury brands, including S.T. Dupont, therefore face the challenge of being too accessible and in the same time being different, rare and modern states Malagatti.

Also, she mentions that she cannot see that the company can send a questionnaire to all their, for example, Instagramers and that they will come back to the company with feedback. According to her, this kind of tool does not exist today.

In terms of coming up with really innovative products that does not exists anywhere on the market, S.T. Dupont does not go out on social media to talk about it in the beginning until they have patented the product. It needs to be a secret project and they do not talk about it without a lot of NDA signed between the involved parties. Once the construction and design are patented, the company can start to talk to people, but by then the product is almost developed means Malagatti. S.T. Dupont use social media when it comes to make improvements, to make
incremental innovations. When they make radical innovations, they use focus groups and develop it internally without the usage of social media. Malagatti says that if it would be possible to use social media in the PD process in a hidden, a not accessible for everyone she can see a future potential for integrating social media more in the PD process.

When discussing the benefits with social media in the PD process, Malagatti mentions that in the end of the day, social media in terms of product development applies more to fast fashion companies since such companies require a need to change very quickly after every season and turn around. However, she adds that the main benefits with social media is that it provides the opportunity to faster and more broadly acquire insights. Consequently, it leads to better understanding of customers’ needs. By being present on social media and listening to customers’ thoughts enables S.T. Dupont to make adjustments and improve customer satisfaction as they can deliver what the customers wants. An additional benefit she mentions is that by using social media channels the company can contact a set of their VIP clients in order to test new ideas and also to have a continuous dialogue with them.

Furthermore, Malagatti argues that collaborating with customers feed innovation. She acknowledges the potential with social media in order to create cults such as ‘cigar smokers’ which then could foster innovations. She adds on and explains how the company is currently setting up an online community for cigar smokers to both educate people as well as creating an experience where like-minded can share their thoughts and passion. As earlier mentioned, S.T. Dupont use social media to keep customers updated in the process of creating tailor made products. This enables the company to create a better relationship, regardless of the customer’s location in the world.

4.1.2 Swarovski

**PD process**

Christelle Sergent, Innovation Project Manager at Swarovski, explains that the company has two PD processes running in parallel. One is a structured and standardized PD process and the other one is an additional one, the so-called innovation process.

Swarovski’s standardized PD process involves eight different core steps: (1) *Seasonal inspirational brief*: entails research and inspiration brief that generates from the design team. (2) *Marketing brief*: entails going out on the market to identify trends on the product itself. Thus, it is decided what the product should include and exclude. (3) *Design*: the designers start to develop the product. (4) *Feedback phase: feedback is given on the product.* (5) *Real development phase: the product is taken it finite form.* (6) *Collection release: the collection announcement is being released.* (7) *Launch*: includes activities such as communication plan, sales advisory training, and to prepare for production. (8) *Delivery to the market*: the products is finally being delivered to the market.

Sergent states that the standardized PD process is very long as it takes 18 months to go through all the steps. However, Swarovski has invented a parallel innovation process in order to create a fast track process for new and innovative products. It also enables Swarovski to better catch the trends for some specific products.

The innovation process consists out of five different main steps: (1) *Phase of exploration*: entails studying consumer behavior in order to acquire insights and understanding of consumer’s needs. Thus, it is about identifying what kind of opportunities the company could potentially capitalize on. (2) *Idea generation*: entails focusing on the problem. (3) *Concept
level: the concept is being more defined and relating to a product. (4) Evaluation phase: entails bringing the technical possibilities in order to develop the concept further i.e. defining the overall product and estimating the costs. (5) Product development/production/implementation: entails the final development and production of the product together with the implementation.

Sergent does not focus on any specific process during the interview. She rather explains how customer involvement and the usage of social media is being utilized in general in the PD process within the company.

**Customer involvement in the PD process and the use of social media**

Sergent explains that customers are being involved in the later stages of the PD process at Swarovski. Focus groups are then mainly being used and commonly consists out of both customers and non-customers.

Furthermore, social media is mainly being used in the launch phase as a communication tool, in order to let influencers and bloggers promote the brand and the products. However, Sergent says that Swarovski does not use social media to directly involve the customer to improve the product itself. She reveals though that the company retrieves information from social media comments in order to improve their products. Sergent exemplifies with a case where a product received a lot of complaints on social media as the product lost it stones. Consequently, Swarovski took these complaints and comments into account in order to adapt the product and increase the quality and customer satisfaction.

**Challenges and benefits with customer involvement in the PD process**

A perceived challenge at Swarovski when involving customers in the PD process is the maturity of the prototype. Sergent implies that it is hard to explain for a customer to imagine and visualize a product in a certain way. Therefore, the company needs to have the product in the right refinement and execution before involving the customer. Hence, Sergent believes that the company might receive feedback from focus groups that can kill a good idea due to lack of a valid prototype. Also, it can sometimes be a challenge to know which voice to listen to as the focus groups consists out of both customers and non-customers and she also mentions that it is a challenge to know if they should involve only current customers and/or future customers.

Furthermore, Sergent explains that by being a luxury brand the products are more connected to the DNA of the brand in comparison with a fast fashion company. Sergent says: “Normally you do not need customers or influencers for feedback, because it is you that create the trends.” (Christelle Sergent, March 20, 2019). She adds on and brings up the example of Chanel and says that they do not ask the customers, but rather have their own ideas and visions of what kind of products that is good for the brand and customer. Consequently, she argues that it creates difficulties with involving customers in the PD process in the luxury industry.

In regard to the benefits of involving the customers in the PD process, Sergent states that the customers can give immediate feedback if the product is good or not and also to come up with new ideas and experimenting in new ways which is of great value. Furthermore, she mentions that customer involvement can decrease the risk of market failure. She gives an example, that the company tried to sell technological connected products but did not conduct any research before launching the products. However, as they did not receive positive feedback from the customers, they withdrew the collection. Sergent argues that it would have been more efficient and better if they would have met customers and talked to them instead of launching products with the aim to just launch connected products.
Furthermore, Sergent mentions that Swarovski has not faced any challenges in the matter of incentives to get customers involved in the PD process. This as the focus groups in the innovation projects mainly consists out of people that are internal stakeholders. Thus, they receive financial compensations. Also, Swarovski give small gifts in form of products to them as a thanks.

**Challenges and benefits with social media in the PD process**

A challenge with using social media in the PD process that Sergent has acknowledged is the concerns related to intellectual properties. She also mentions that the confidentiality of the topics is a challenge as the topics can be highly confidential due to the reason that the company aims to be first on the market with a specific idea. In addition, Sergent finds it hard to know how to utilize social media through customer involvement, e.g. if the company needs to set up a contract and how then to control everything concerning this process. Sergent says:

> If there is a kind of confidential platform that we can be assured that no one external can access, then maybe we can control it better. But I have no clue for how it could be. If we can control it and it is confidential, social media could be a good tool. (Christelle Sergent, March 20, 2019)

Thus, Sergent concludes that the infrastructure for using social media as a tool to involve customers in the PD process is yet missing. Social media could hence contribute to enable a more advantageously PD process if the right infrastructure would exist. However, she mentions that “it is just that luxury has its own DNA and it has to fit with it” (Christelle Sergent, March 20, 2019). Consequently, the infrastructure and the Brand DNA are the challenges she clarifies.

Furthermore, Sergent explains that the PD team do acknowledge comments on the different social media channels, but she means that Swarovski lack the internal capacity in the company to communicate between the different departments (Product Development, Marketing and Communication), they have difficulties with capitalizing and absorbing all the feedback from the market. She says: *We just see the comments because we go on Facebook and different social media, but there is no link from communication to marketing to get the feedback from the market.*” (Christelle Sergent, March 20, 2019).

In regard to benefits with using social media, Sergent highlights that social media in the PD is beneficial as it enables to more quickly acquire information, immediate reactions and responses in comparison with more traditional offline tools.

### 4.1.3 J.Lindeberg

**PD process**

Jens Werner, Creative Director at J.Lindeberg, explains that the company has a structured PD process going from idea to launch. More precisely, it begins with an idea phase which goes into a design phase and then into the first prototype phase. Following, certain changes are being made if necessary before the product enters the sample phase, where the product is displayed in the showroom. A half year later the product gets launched in the stores. However, the PD process and cycle time might differ to some extent depending on the given product and collection that is being developed, but it takes approximately between 18 to 24 months explains Werner.
Customer involvement in the PD process and the use of social media
According to Werner, J.Lindeberg involves their end customers to a very small extent in regard to the PD process for the fashion collection. Influencers are then mainly being involved just before the collection hits the stores. The influencers are then given products which hence allows J.Lindeberg to receive some feedback that can be taken into consideration in order to make minor changes if necessary. In contrary, in the sports collection the end customers, i.e ski ambassadors, are being involved to a higher extent. Thus, they are given products one year before the planned launch in order to test the products in the ski slopes and then give feedback. Consequently, it enables J.Lindeberg to implement the feedback and make necessary and bigger improvements.

Furthermore, Werner reveals that J.Lindeberg does not explicitly use social media in its PD process. However, he states that social media is used to some extent, but rather in an unconsciously way. In other words, through social media Werner and his team acknowledge which products that are prosperous and that acquire the greatest attention by the consumers. This information is then incorporated into the next collection. However, Werner explains that they do not have any analytical backtracking process where they act based on these findings. In addition, Werner believes that the major group of their customer base still rather prefer to call or go into the shop instead of using social media to interact with them.

Challenges and benefits with customer involvement in the PD process
A great challenge with involving the customer in the PD process is due to the long production cycle explains Werner. Hence, firstly, customers do not know what they want 18 months ahead and secondly, it is hard to make major adjustments in the later phases of the process. Werner implies though that this is a challenge that all luxury and high-end brands face in comparison to fast fashion brands.

An additional challenge that is brought up is that he believes that the luxury goods customers do not want to be involved too much in the process but rather want to be surprised. Involvement is more for the fast fashion people states Werner.

In regard to benefits with involving the customers in the PD process, Werner says that by sending out samples to influencers and ambassadors prior the launch enables J.Lindeberg to make adjustments which consequently reduces the potential of a market failure when they launch the finalized collection. In addition, the company incorporates what went well and less well into the next collection in order to increase the success rate in future projects.

When discussing incentives to involve customers, ambassadors and influencers in the PD process, Werner says that their customers genuinely want to be a part of their brand identity. He further reveals that some customers have started to reach out to J.Lindeberg as they want to be a part of promoting their products in the launch phase. Additionally, the company does also set up paid partnerships with ambassadors and influencers.

Challenges and benefits with social media in the PD process
In regard to challenges with using social media in the PD process Werner implies that it is really tricky to know what to listen to on social media. He explains:

It can be a proper customer who loves your brand, but it can also be someone that does not even know you and just wants to have fun and comment bad things about your brand. And that is a big challenge that I think any brand faces. (Jens Werner, March 22, 2019)
Also, he argues that the usage of social media implicates that the company needs to manage substantial amount of information as they do get a lot of messages, but that they cannot really read and answer them all. Werner further highlights that J.Lindeberg would use social media to a higher extent if they would have more staff and tools to do so.

4.1.4 By Malene Birger

**PD process**

Morten Linnet, CEO at By Malene Birger, explains that the company has a four-phase development process. The process is called a phase-gate process which entails decision points in every phase whether to proceed or not proceed with an idea. Phase zero entails discovering and ideation where each department brings their ideas about the following collection. These ideas are then being evaluated, which to continue to develop and not. Phase one entails taking these ideas to the next level and involved sketches from the design team in combination with inputs from other departments such as marketing etc. Phase two entails prototyping. Phase three is when the company launches the collection. Linnet says that he is involved in every phase to make a go or no go decision together with the other departments. He further explains that all phases involve some degree of customer insight. Thus, data about what the customer like at a given point in the development process are being incorporated as it helps the company to know what to focus on etc. This information is then combined with the opinions from the design team and other departments. It is hence a mix of data and trends in each of the phases. Also, Linnet stresses the importance of involving every division together with customer data in the process, as in the end it is all about the product and the customer. However, Linnet expresses that the design team is rather against this process, but that he is determinant to involve every department in the company and to assure that the customer insights will be incorporated in order to get the data in the right point of time. He argues that a phase-gate process is necessary if you want to combine data and creativity. Linnet finalizes with explaining that the PD cycle time is around 12 to 18 months at the moment, but that the company is continuously working on shortening it down in order to meet market demands.

**Customer involvement in the PD process and the use of social media**

Linnet reveals that at By Malene Birger focus groups are mainly used when involving and interacting with their customers in the PD process. The focus groups consist out of different ages and relationship levels to the brand, customers who have a strong relationship with the brand, customers that would not buy the brand and potential customers. The focus groups get involved just before the launch of the collection and not in the beginning of the process since it is too expensive to involve the consumer in every phase says Linnet. The feedback from the focus group is however mainly used in the next collection. In post launch and early phases the company instead uses data which they retrieve form their website, peer-platforms and retail. Additionally, questionnaires are sent out to their loyalty group of customers to get insights in what they like and not like.

In the launch phase of the PD process they use social media in terms of using influencers. However, Linnet highlights the difference between an influencer and a consumer, where an influencer is not a customer as it is the person's profession. The company hence uses influencers in the launch phase, but he sees it as a pure marketing tool. Furthermore, Linnet says that the creative director and the design team often go out on different social media channels to get inspiration and understand what is happening on the market right now.
Challenges and benefits with customer involvement in the PD process
Linnet would love to include the customers more in the PD process, however one challenge lies in the cost aspect, where it is simply too expensive to have focus groups in every phase. Furthermore, Linnet highlights that as a luxury brand it is hard to involve the customers early on in the process as customers are not aware of what they want 12 months ahead. This is a challenge since the customer's voice might only reflect their current wants and needs and not the future ones. They are experts in what fits right now but not for the future. Consequently, leading to the limitation of involving the consumers early on states Linnet. It is easier for a fast fashion company to do so as they are following the trends set by the luxury goods companies and are hence adapting to the current needs and not the future needs explains Linnet. To address this issue that the industry is phasing, Linnet discusses a potential idea of dividing the collections, having core products which are constantly developed by customers and then doing more fashion follow up pieces that would be done by the Creative Director who knows and sets the trends. He further adds on that it would be possible to do a collection that fits the right now, bringing in what the Creative Director missed, which would enable the customer to be a part of the process and also to adjust products that will be a better fit for the customers. The greatest challenge is though to possess the capability to develop these products very fast. Consequently, shortening the production cycle time. He believes that in the future it will be a more instant development process when 3D printing will be more commonly used. Then the customer will be much more involved in the PD process together with the designer.

Another challenge with involving the customers in the PD process is that the Creative Director is commonly in charge of the design of the whole collection, meaning that they exclude the customers and other departments in the process argues Linnet. The luxury brands are hence still heavily dependent on one person’s mind. Linnet hence believes that as long as this is the case the industry will not need to adapt to a greater extent, however if companies do want to involve the customers and different departments one needs to set up a structured process. This as it ensures that every department and customer data and insight will be integrated from idea generation to launch. This is how Linnet has set up their process as it increases the possibility to detect discrepancy between the product and the customers’ needs. It is also important, and a constant challenge, to develop collections and products that are aligned with the brand DNA and still listen to the customers. Linnet states: “You need a balance, listening to your consumers and to stay true to your brand identity and creative process.” (Morten Linnet, March 25, 2019).

Moreover, Linnet explains that their customers love to be a part of the brand, the community and sharing their ideas as they want to be heard and inspire other consumers. Also, when being invited customers get the opportunity to visit the House of Malene Birger and being treated nicely with good food and a glass of champagne. Consequently, Linnet says that By Malene Birger does not face any challenges regarding incentives when involving the customer in the PD process.

Linnet highlights that it is essential working close to the customer, to understand the customers’ needs, their perception of the brand and to involve them continuously in the PD process. This as it enables the company to acquire a larger diversity of knowledge and also enhance that what they are producing is aligned with the customer in all the phases, from idea to launch. Before Linnet started at the company, they did not involve the customer in a structured way in the PD process. In 2015 he therefore hired an external consultancy firm that was specialized in combining anthropology, sociology and business strategy to gain insights into consumers perceived image of By Malene Birger, what they liked and not liked, their purchase behavior, trends etc. Linnet explains one of these consumer interactions they had:
So, we went out shopping with her in Oslo and she gave feedback on different concepts. She gave a lot of feedback. Then we went home to her and discussed all kinds of subjects, went in to her wardrobe and looked at different elements. We spent over nine hours together with her. That was one of the thirty interviews that we did. (Morten Linnet, March 25, 2019)

He further explains that this project has had a huge impact on how the company run the business today as they integrate customer insights in every phase. Linnet believes that if they had not done that their sales would probably have dropped.

**Challenges and benefits with social media in the PD process**

In regard to the perceived challenges with using social media as a means in the PD process, Linnet implies that he has not yet identified the right social media tool. He mentions that he has seen that some companies are using Instagram’s yes/no pools, but he believes that this is not the right way to do it as it can only give a small set of feedback. Instagram is hence better for brand building he adds. However, Linnet sees the potential with using Facebook to a higher extent but that it still has its limitations. Hence, he reveals that he would like to have a platform which enables sending out surveys and invite people so it becomes more community driven and that customers would feel like they are a part of the product development and the brand. However, there is a challenge to employ this kind of community in an older company especially in a luxury and heritage brand. It would require companies in general to be more digital focused and to acknowledge that it is the way to do it. Linnet adds on that with the right tool he believes that social media could be used in the beginning of the PD process, asking the customers for feedback. Right now, the current social media tools are not equipped to do that and are hence only being used to a restricted extent.

Furthermore, Linnet implies that social media creates a problem concerning handling all the information. He says that “a challenge with social media is that you need to be structured, otherwise you will not succeed to get in the customer insights in the creative process. You need to interpret the data into the process.” (Morten Linnet, March 25, 2019).

In regard to the benefits, Linnet expresses that social media has changed the level of engagement with their consumers to a high extent. Social media has hence made it easier for By Malene Birger to have a conversation with its customers, make customers connect and to create a feeling that they are a part of the brand. On the contrary, social media has created a great challenge as companies need to be very reactive if something goes wrong since the consumers can react in a split of a second and hence harm the brand with bad content means Linnet. Consequently, it has changed that companies need to be much more alert and responsive than ever before.

4.1.5 Ted Baker

**PD Process**

Emily Davis, Social Media Manager at Ted Baker, mentions that the company has a structured PD development process going from idea to launch. However, she is not able to go through the process in a detailed way due to limited knowledge in the specific phases.

**Customer involvement in the PD process and the use of social media**

Davis reveals that Ted Baker does not involve customers to a high extent in their PD process. However, in the launch phase their customers and ambassadors are involved. Consequently, in order to show the products Ted Baker sends them to influencers and ambassadors. Further, they
encourage all of their customers to post pictures of them when buying a new product, or unboxing videos when they have just received the new product. Hence, Davis argues that their customers are an important part of the launch as they are the ones spreading the message. Davis says though that the company does not actively interact with the customers through social media, rather social media is mainly used to get inspiration and be updated about what is going on.

**Challenges and benefits with customer involvement in the PD process**

A great challenge with involving the customers in the PD process is the length of the lead time which consequently limits the ability for them to involve the customer. Thus, Ted Baker cannot assure to adapt to customers’ feedback quickly enough, which Davis implies that customers would expect them to do if they would involve the customers in developing new products. Consequently, it is a sticky point for the company when wanting to involve the customers to a higher extent argues Davis.

When it comes to involving the customers in the launching phase Davis reveals that Ted Baker has not yet faced any difficulties regarding incentives when collaborating with their customers and influencers. She implies that this is due to the reason that customers of Ted Baker are identifying with the brand identity and that they want to be a part of the brand. However, paid partnership arrangements are set up with influencers.

**Challenges and benefits with social media in the PD process**

When discussing challenges with social media in the PD process Davis explains that social media makes it hard for people to actually see and touch the product which in turn makes it difficult to give complete feedback. She believes that social media can be a part of the PD process, but it should not be the only tool. However, she mentions that she has not seen a valid tool that Ted Baker could use today. Furthermore, Ted Baker has a certain corporate structure where the design team has not yet worked close with the social media team to incorporate insights from social media. Davis hence suppose that it might be an issue to involve the customers in the PD process through social media. However, she does not believe it is an impossible change to make.

Furthermore, another perceived challenge with using social media in the PD process is that the product development side is commercially sensitive. Thus, it is something that Ted Baker wants to have undisclosed until everything it finished. Davis says that this is probably one of the most influential factors why the company does not want to open up too widely on social media. Another challenge that Davis mentions is the issue of knowing how representative the sample is that they are talking with through social media, hence knowing if they are customers or non-customers. In addition, Davis mentions that social media has changed the way the company is operating their business today, especially as it impacts the level of speed to market. Today Ted Baker needs to be much more reactive and have shorter lead times even though they are a luxury brand and not a fast fashion brand.

In regard to benefits with using social media in the PD process, Davis argues that it enables Ted Baker in the launch phase to spread the brand knowledge and its products to a much wider and global extent than without the social media channels. Customers therefore play an important and crucial role as they are spreading the message about the brand which increases the brand awareness says Davis. Thus, without the customer participation the launch phase it would be much difficult. Also, social media enables the company to get constant and faster feedback than ever before.
4.1.6 Kering

PD process
Albert Bensoussan, CEO of the Watches and Jewelry Division at Kering, states that the PD process varies between the different brands and projects. However, he says that all of the Kering brands have a structured PD process going from idea to launch. The PD cycle time is in average between 12 to 18 months, but they are constantly trying to make it shorter in order to be more efficient and to meet market demands. Bensoussan further mentions that there is no specific innovation development process for the different brands but that it rather varies depending on the project and the company. Everything is always changing due to the different available tools, the time constraints that they set for themselves. Hence, innovation is integrated in the whole product development process as “by nature innovation is a moving animal” (Albert Bensoussan, April 1, 2019). The degree of innovation and how the innovation process looks like is therefore always different.

Customer involvement in the PD process and the use of social media
Focus groups, showcasing and one to one interviews are commonly used when involving the customer in the PD process at Kering. Also, Bensoussan says that it is of great importance to involve both current and non-current customers in order to get a wide range of input and enhance the creativity. Furthermore, Bensoussan explains that Kering does not involve customers to a high extent on the idea or on the concept generation level. Rather, the company involves customers once samples and mockups, which are physically presentable, are available. The reason why they do not involve the customers earlier on in the PD process is due to the risk of misunderstanding, since an idea is visualized differently depending on the person explains Bensoussan. He further says that the different methods of interacting with customers can be both through offline and online platforms. Bensoussan implies that social media is just a tool, a means, that is changing the way they communicate with their customers. Consequently, the process of involving customer through online platforms are similar to offline methods, but that it is much faster and more efficient. This is one of the reasons why Kering is currently heavily investing in digital channels, as the main objective is that their brands shall reach out to customers and potential customers through digital channels reveals Bensoussan. Hence, Kering wants to increase its communication strategy in order to create a better dialogue between current and potential customers through digital solutions. The dialogue will then not only be based on making sure that customers know what Kering is doing but creating a dialogue based on the idea that they involve them in reacting on products, communication, creative assets such as videos and photos, and reacting on brand operations to showcase products and present products etc.

Bensoussan further says that the Jewelry and Watches Division are currently working with its brands to launch a new way to create a higher engagement rate with their customers through social media. Customer will create their digital content, using products by the brands of Kering, which then these customers’ stories and posts will be taken by Kering in order to repost them through its own digital channels. Consequently, it will make the customers directly involved in the digital content making process in the launch phase of the products, which is a change from today where the consumer is passive. This will be launched within a year, however other brands within the Kering Group are currently doing this explains Bensoussan.

Challenges and benefits with customer involvement in the PD process
Bensoussan brings up several important challenges with involving the customers in the PD process. He argues that as it is of high importance to always take into account the brand values when developing new products, it is a challenge to constantly integrate the customer's voice.
Thus, it is more complex to involve customers in the luxury industry in comparison with fast fashion brands he says. Bensoussan further explains:

You cannot go from iteration to iteration constantly each time you have different aspects, and somehow you have to guarantee to yourself what you do or what you put on the market is coherent and aligned with the brand’s strategy and brand values. (Albert Bensoussan, April 1, 2019)

Hence, it is a challenge to know how to evaluate customers’ suggestions as the brands cannot always rely on the final demand and advise of the end customer to decide to create or not create a certain line or a specific product. Thus, the Kering brands cannot constantly adapt to customers’ wishes

Bensoussan further argues that he is cautious to bring in the customer too much in the earlier phases of the process even in the future as it is the work of the design team. The creative supply is what creates an interest of a luxury brand, it is not the demand argues Bensoussan. However, as Kering is present in several countries it is trivial to understand the specific market. By involving the customers in the PD process it enables Kering to get an understanding about local sensitivities, issues of local culture, behavior and taste. Also, it helps the brand to avoid simple mistakes of shape, volume, product specificities, techniques, outlook, design etc. Consequently, customer involvement enhances the success rate and avoids the brand to make mistakes says Bensoussan. In addition, involving the customer builds brand and product knowledge even if the product is not yet available on the market. This is also a part of their launch program as the customers who are involved will then feel a level of accomplishment and might then buy the brand’s product.

An additional benefit with customer involvement is, according to Bensoussan, that both customers’ and non-customers’ feedback can be taken into account. Consequently, it enables to generate a broader perspective and ideas that Kering alone would not think of.

Furthermore, Bensoussan expresses his future vision of customer involvement in the PD process in the following way:

I would say three types of involvement. One, which is not existing today but will be the involvement of creation but again I don't see how and with what tool, but I can see that it is coming but I do not know how this will be expressed. The second thing is the instant availability. And the third thing that I would see is sensitivity to all the questions that are related to sustainability and conditions of manufacturing. These will be the areas that will move on even more rapidly. (Albert Bensoussan, April 1, 2019)

Moreover, he explains that none of the Kering brands have any issues with giving incentives to customers that are involved in the PD process. The customers just want to feel recognized and a sense of belonging to the given brand says Bensoussan. When people participate, they usually receive small rewards like a small gift or an accessory as a recognition of the effort that has been made. Additional incentives that can be given by the Kering brands are a preview, an access before anyone else or an access to a limited series as part of a big launch. Also, influencers are often given financial incentives or products.

**Challenges and benefits with social media in the PD process**

Bensoussan says that technology and social media have changed the way they are conducting their business and believes it will further disrupt the industry. However, one reason why Kering is not currently involving their customers earlier on in the PD process through social media is mainly due to challenges regarding counterfeiting, copying but also the risk of loss of the creative process. He also mentions that it is more complex to use social media since luxury
brands tend to be more protective of their brand strategy and brand identities. Bensoussan argues though that it is not technically harder for luxury brands compared to FMCG (Fast Moving Consumer Goods) brands to involve the customers through social media, regardless of where in the process, it is just slightly more complex as they need to integrate brand values and brand DNA to a greater extent. But in order to use social media to a higher degree, a certain tool is required. Then he sees the potential to integrate the consumers more in the PD process through social media.

However, once again Bensoussan says that he is cautious on the aspect of integrating customers in the earlier phases in the PD process even though the right tool would exist. He expresses his concern as following:

It is different when you have peoples’ reaction, including ours, on something that I show you and you tell me you like it, you prefer this color, shape, price, the opportunity to buy it in a specific place and have it more readily available. This is very different from asking customers to become a part of the team in the earlier phases of the development process. I may decide to do that or might think it is useful to do that in the future but just for a limited number of people, but I do not necessarily need to have a million of fans and ask them, if they agree to respond of course. I am cautious on that aspect. If your ideas are interesting, I might as well hire you as an individual to come and work in the creative studio. (Albert Bensoussan, April 1, 2019)

In addition, and as mentioned above (Customer involvement in the PD process and the use of social media), social media brings difficulties to involve the customers in the earlier phases as Kering wants to integrate the customer first when they have physically and presentable products. It is hard for customers to evaluate and visualize the product without an accurate prototype.

Furthermore, Bensoussan states that through social media it is hard to control the content and to make sure that both customers and influencers are conveying the right message. It is a constant trial and error process to find appropriate influencers that are aligned with the brand value and DNA and in the same time create a high engagement level on social media. Also, an issue with social media is to understand how to know who you should speak to and not speak to. It is therefore hard to allocate the right customers.

Bensoussan further mentions that social media has brought a lot of positive impact on how they integrate their customers in the PD process. He exemplifies and says that 10 years ago, Kering used to gather people in a room and show them products, advertisements and communication styles. Today, due to social media and enhanced technology, it is more instantaneous, quicker and efficient than ever before says Bensoussan. Hence, social media does not require Kering to physically meet the customers which enables them to quickly integrate customers in the PD process regardless of their presence in the world. Bensoussan says: “Rather than having 10 - 20 people in a room you can have access to 100 individuals at once when using social media” (Albert Bensoussan, April 1, 2019).

4.1.7 Company X

PD process
Company X has two development processes, firstly one that is related to iconic and classical products where they only do small changes, and secondly one for disruptive innovations. The respondent at Company X works with the process concerning disruptive innovations and is hence only able to explain the process of these innovations. Company X’s PD process for the disruptive and breakthrough innovations consists out of three different phases: Listen, Learn
and Launch. The Listen phase involves listening to what is going on out on the market such as what are the new technologies and what other companies within and outside the industry are doing. In the Learn phase they generate the ideas, do workshops concerning the specific subject, create prototypes in order to learn how to make the product better. The department does several prototypes and try to test these with potential luxury clients to then launch a pilot. The whole PD process takes approximately 12 months.

Company X launched the Disruptive Innovation department two years ago as they believe that the luxury industry has not yet been disrupted to a high extent compared to other industries. However, they strongly believe that the time will come. Consequently, Company X aims to be the disruptor rather than to be disrupted. They want to be leaders within the field. The Disruptive Innovation department hence exists to uncover new ways of creating luxury while keeping loyal to traditions which the respondent says is a very important aspect. The respondent at Company X says:

We believe that there are challenges ahead of us, but a lot of great things can be done in this industry. Connecting innovation with new technology, doing things around new ways for consumers to buy our products but also to touch the new generation, millennials. There are amazing things to do in this field.
(Respondent at Company X, May 1, 2019)

Consequently, the Disruptive Innovation department analyzes customers’ needs and try to find opportunities to create value for clients and disrupting ideas to do something new that will push the business ahead. Therefore, they begin with listening in order to identify new trends in the society and then they establish a link between these needs and pain points that they have identified together with some technological solutions. The main source of acquiring the disruptive ideas is hence a combination of knowing what is out there, inspiration and counting on the great innovation spirit that exists inside the company. The respondent says:

What really makes disruptive innovation is the understanding of our clients and brands specificities to identify where we can bring value. Therefore, the magic happens during the idea phase when the knowledge of the listening phase is combined with the remarkable creativity of a multidisciplinary team.
(Respondent at Company X, May 1, 2019)

The Disruptive Innovation department continuously brings experts from all the departments at the company in the idea phase. The respondent says:

For example, last month we organized a workshop to bring together customer service, manufacturing, client’s insight and experts to ideate together a specific topic using our methodology and tailored user design techniques. Our role in the company is to bring a new mind set and methodology to launch disruptive products and services quickly and efficiently.
(Respondent at Company X, May 1, 2019)

**Customer involvement in the PD process and the use of social media**

Company X uses focus groups in the late stage of the Learning phase in order to know what to improve and to be sure that there is a need of the product out on the market. However, with disruptive innovations they need to be more agile and perform tests several times. Hence, it would lead to high costs if using focus groups every time. Consequently, they employ alternative methods, such as showing the product internally or relying on events or shows which enables the company to immediately acquire the feedback. However, the respondent reveals that it is a less structured methodology compared to using a focus group which often is categorized by having clear standards and procedures to follow. Furthermore, the respondent says that depending on what they want to test the customer base differs. However, the product is usually tested in three markets before being launched, firstly the Chinese market, secondly the US market and lastly the European market.
At Company X customers are being involved to a low degree in the Listening phase and to a greater extent in the Learning phase. The respondent says that it is more indirect in the Listening phase and direct in the Learning phase. Meaning that in the Listening phase they indirectly try to capture, e.g. on social media, what is going on out on the market and what the discussions are about. Thus, the aim is to create an overall understanding about the customer and the current trends. Whereas in the Learning phase, Company X attempts to create direct interactions and receive instant feedback on the innovative products that they are developing.

In regard to the usage of social media in the PD process the respondent reveals that currently they do not use it in an active way. Social media is rather used for listening than for engagement. Consequently, they listen to what is being said on social media about ergonomics and quality and then the company takes the feedback and incorporates it the new developed products.

**Challenges and benefits with customer involvement in the PD process**

The respondent at Company X mentions that using focus groups are not always the optimal way due to two main reasons, namely the cost and agility aspects. Consequently, they only use focus groups when they are convinced that they will launch the product.

The respondent highlights a very industry specific challenge with involving the customer in the PD process, namely that the luxury goods industry is a trendsetter. Hence, brands should not ask customers what they prefer, instead the brands should propose and create goods that will be desirable explains the respondent. This is something that is part of luxury brands’ history and DNA. Furthermore, the respondent says it is a challenge to involve the customer in the PD process as the company always needs to take into account the balance between innovation and history. Hence, the company needs to guarantee that what they develop is aligned with the brand’s strategy and it is therefore a challenge to evaluate and know what customer suggestions they should incorporate and not. The respondent says:

> Innovation is in the heart of the brand identity and as well in history, however these two words can be in opposition to each other. You need to find the balance of the right innovation that will not compromise tradition. Of course, a brand who has completely focused on innovation instead then it would be easier to do something crazier. (Respondent at Company X, May 1, 2019)

The respondent at Company X further brings up that the Disruptive Innovation department faces internal challenges when they want to involve their clients in the PD process as there are a lot of reluctance from different department managers within the company. The reluctance herein in the fear of being rebranded as well as they want to assure that they are preserving the myth and the brand image. Hence it is a sensitive and delicate topic which the company but also the industry is encountering. Consequently, the respondent says it is more common and acceptable to involve the customer in the PD process in other industries such as FMCG. However, at the Disruptive Innovation department they use some of the methodologies in industries outside the luxury one as they are doing products which are completely new. In contrary, the regular PD would never do that as they would only involve the customers to get feedback on the functional aspects states the respondent. The respondent explains further:

> Within the culture it is that the brand should propose something that should correspond to the brand DNA, image and philosophy, that the client then will get connection with, rather than serving the client needs or philosophy. This is why is not part of the culture to ask what the client wants. (Respondent at Company X, May 1, 2019)
A benefit that the respondent perceive with customer involvement in the PD process is that it increases the creativity and the probability for breakthrough ideas. The respondent says:

When you try to do something new it is essential to capture the client feedback, because the client sometimes knows what he or she wants better than you. So, when you try to do something completely different you need them to tell you if it is going to work or not. You never know if something is good or not if you do not actually test it. It is essential to test the product and the experience with the client before launching it. (Respondent at Company X, May 1, 2019)

By integrating the customer in the PD process it increases the success of developing products which are aligned with the customers’ needs and therefore reduces the market failure states the respondent. This is why they use focus groups in the Learning phase, as they want and need to make the idea better for the market. Furthermore, as mentioned earlier, they indirect involve the customer in the Listening phase, in order to create an overall understanding of the customers and to decrease the risk of starting up a project that is not aligned with the specificities of their customers and the industry.

When discussing customer incentives, the respondent explains that they have two approaches of doing it. One approach is to go through an agency, that will reward the people who participate where a monetary reward is common to give. The second approach is to go through Company X’s internal client database and identify clients who are willing to participate in innovation projects. These clients are passionate about the brand and want to feel a sense of belonging. Company then reward clients with a gift, an experience or a VIP treatment.

**Challenges and benefits with social media in the PD process**

At Company X they only use social media in a direct way in the launch phase, to promote the products through influencers and consumers. However, the respondent says that it is more related to marketing rather than the PD process.

The challenge and reason behind not using social media in the PD process is explained by the respondent in the following way:

It is related to the image of the brand. I do not think that customers would like a luxury brand to say, “what would you like to have as a new design?” Because it is so emotional, so it is difficult to say, from the client side, what will trigger emotions to me. It is not a functional product; it is an emotional product. It is when you see the proposition that you will be able to say “I like it or not”. If I ask you what the design is that you would like to see for a certain product, then that is a difficult question. When you go into a more functional product or service it is easier to ask people what they would like to have. The decision processes it completely different. (Respondent at Company X, May 1, 2019)

The respondent further says the image of the brand is often associated with something closed, mysterious and magic. Meaning that the brand is creating an emotion in the customer that is not explainable. Hence it is hard to ask the client how they would like to receive that emotion as the magic might disappear and the customer might then get the perception that the brand does not know how to create that magic by itself. Therefore, that is why, as it is such an emotional product and not something that people do actually need, it is something that they would like to have. Consequently, Company X uses small focus groups or within an event with specific people in order to involve them in the Product Development process. The respondent says that they cannot involve a large group of customers due to the brand image.
Furthermore, the respondent explains that with social media there is a challenge with secrecy issues. He says:

> If you put the design on social media, and ask people “which one of the three designs would you like to see as the next product?” Then basically you would reveal the potential design, you ruin the launch excitement and you also open yourself to competitors. (Respondent at Company X, May 1, 2019)

Another challenge that is mentioned by the respondent is that social media creates difficulties of visualizing and trying the product without an accurate prototype. If you do not see the product it is difficult to interact on social media. The respondent says: “It is difficult because it is something emotional that you need to see and touch.” (Respondent at Company X, May 1, 2019)

In regard to benefits with using social media, the respondent firstly highlights that it enables the company to understand what is going on out there and what the discussions are about. Thus, helping to create an overall understanding about the customer. However, this is done in the Listening phase where they indirectly try to capture this information. The respondent further brings up that Company X does not find it hard to navigate and to know what to listen to on social media.

In addition, the respondent brings up the potential benefit with start using social media to a higher extent in the PD process. Thus, the benefits within Company X would be for the Disruptive Innovation department as they create products that have never been developed before. The respondent hence implies that they need to understand how the consumer will receive the disruptive idea and if they actually believe in it. Thus, social media could be beneficial to use. However, the respondent does not see that the right tool exists today. If an effective evaluation tool would be available, the respondent sees the potential in acquiring new ideas from customers. The respondent does not see a benefit with using social media in the PD process for classical products except to get feedback on the ergonomics of a functional product just before launching it in order to launch a product which is more desirable.

### 4.2 Industry Experts

All experts agree that digitalization has changed and is changing the way luxury brands are running their business. For a long time, there has been a great reluctance of entering the digital sphere as luxury brands have been afraid of counterfeiting, copy cats and losing the luxury goods experience, explains industry expert Adriam Pali. Luxury brands did not know how to convert the experience and the expertise possessed by the retail personnel in the digital field. However, as customers’ online presence grew it enforced luxury brands to adapt and to be visible on social media. Adriam Pali states though that luxury brands need to do more than just being present on social media. Consequently, luxury brands have started to build a complete and coherent experience through all channels, both offline and online. Furthermore, Laurent François at RE-UP states that luxury goods companies have for a long time used social media extensively but not in a conspicuous way. He implies that luxury brands have rather capitalized on using social media to follow and monitor customers. It is only recently that the luxury brands have decided to take a more proactive role and establish a two-way communication with the customers on social media. On the contrary, Olivier argues that luxury goods companies are at a very early stage in the usage of social media as these brands think from an “offer strategy” point of view rather from a “demand strategy” point of view. Luxury goods companies puts the product, the design and creation in the brand and not the consumer. François also brings up the notion of luxury brands being trendsetters and expresses as following: “The main question is
that, yes, it is cool to listen to what people say, but then the companies are just followers and following the trend.” (Laurent François, March 21, 2019). Furthermore, Expert Voyer implies that the level of customer involvement depends on the specific luxury brand and says:

It depends on the position of the brand, whether the brand is more into fashion luxury. If you are into luxury in a more traditional craftsman sense, I think that it makes less sense to involve the customers, but if you are more into fashion and luxury it makes sense to work with customers. (Benjamin Voyer, March 27, 2019)

In addition, Olivié brings up the paradox of the industry, i.e. the resistance of taking into account the customer’s voice but in the same time that the true luxury brands have always involved the customer in the PD process, but in the old-fashioned way. Thus, Olivié states that without tailoring it is not a real luxury brand. However, the adaption to the individual person requires building a very close relationship between the brand and the individual which he does not see that social media can enable to create. Furthermore, Olivié takes the stance that social media is great if it is about communication. However, he implies that social media is rather a tool and a means than the supreme goal for luxury brands. He says: “Social media is between the why and the how, but definitely not the why. But I might be wrong.” (Guillaume Olivié, March 20, 2019). Thus, he is not sure but believes that it is important to hold on to the core values of what the luxury industry comprises of, which is not taking into account the voice of the masses, it is about the individual. Voyer also agrees and says that it is crucial that luxury brands put emphasis on building a strong and personal relationship with their customers, especially with the millennials as they are less brand loyal than the previous generations. However, the challenge with social media is that it is yet impossible to create a personal touch and feeling on it, which is crucial for luxury brands to offer to their customers as it contributes to authenticity. Thus, having an intimate relationship with millions of people is challenging. Voyer therefore says that it is easier to co-create with celebrities, influencers and artists to create special editions which conceive authenticity and keep the masses appealed but without being directly involved with the masses. Likewise, does Adriam Pali reinforce this argument. She discusses that the younger generation wants brands to co-create with influencers and artists and that social media is then a great channel to showcase the collaborations. Thus, keeping the masses captivated. In addition, Adriam Pali highlights that co-creation and social media is fun and fresh which luxury brands need to embrace to catch the younger generation’s attention and loyalty.

Consequently, all experts explain that that it is highly common within the luxury goods industry to involve customers and influencers through social media in the launch phase but as a marketing tool. It is done to raise curiosity and create trust among customers. François further mentions that the degree of customer involvement in the PD process through social media depends on what category the brand plays within the personal luxury goods industry. When it comes to i.e. cosmetics, customer involvement is much more practiced as these brands are highly dependent on trends, new behaviors and consumers’ demand argues François. Consequently, social media has shown to be a very helpful tool in order to capture and understand these objectives. Likewise, does Adriam Pali also implies that the luxury cosmetics industry has managed to involve customers through social media to a higher extent than other luxury goods categories.

Adriam Pali demonstrates and brings up the example of Glossier, a skincare and beauty brand. She implies that the company has managed to involve its customers and use social media very sufficiently. She implies that luxury goods companies have not yet progressed to the same extent as they do not know how to involve customers on social media and develop products
together with online communities. François elaborates further and argues that social media per se is not really the main challenge when it comes to involving the customer in the PD processes through social media. He exemplifies as well with the company Glossier:

If you take Glossier for example, which though is far from luxury, they use the social media tool Slack with their top 100-200 customers worldwide. When the company thinks about a new formula and so on, they pretest and ask for feedback on Slack to these people. Super engaging people actually spend hours and days to debate and confirm, that is how Glossier manage to change the formula every time. It is not really a challenge; it is more a matter of how you structure your relationship with you communities. It is something which is not a technical issue it is more cultural issues; how do we grow up together? (Laurent François, March 21, 2019)

Hence, a great challenge of using social media for luxury brands is to find a synergy between offline and online and to understand what tools to use says Adriam Pali. However, both Olivié and Adriam Pali argue that innovation and heritage must be integrated when entering the digital sphere, especially if involving the customers in the PD process through social media channels. Olivié elaborates further on this statement and highlights the importance of the brand DNA and the connection between heritage, history, tradition and innovation. Hence, luxury brands must balance the dynamical but positive tension between heritage and innovation. He means that luxury brands have always combined innovation with heritage and that it has become even more important today to succeed focusing on technology and innovation together with heritage, as it constitutes one of the cornerstones of the brand. Only with an accurate balance, authenticity can be conceived.

Furthermore, François brings up an additional challenge in regard to utilizing social media in the PD process. Thus, that it is hard to know how to extract the information. François explains that only around 2% of the total word of mouth leave digital footprints. This implies that the companies can track a lot of things, but it leaves the 98% of the word of mouth undiscovered if you only use social media channels. Therefore, the luxury brands need to find ways of making the 98% of the things never talked about active. He again exemplifies with Glossier and says: “Glossier, why did they create the Slack? It is exactly for the same reason, that people only talk about certain topics in the public field.” (Laurent François, March 21, 2019). He continues and means that due to the fact that every company has access to the same 2% of information, they need to know how to make these 2% meaningful and also search for how to find ways to bring rationality to the rest existing 98%. Expert Benjamin Voyer also brings up this challenge, he means that companies can find a lot information on social media, but it is difficult to assess what to listen to and follow. He says:

Social media is a rather rich way of communicating since you can use voice, emojis and text so you get more information but it also means that it is more difficult process, you need to make a difference between who and what matters and who and what does not. (Benjamin Voyer, March 27, 2019)

Another challenge is about the risk management. François compares with the FMCG industry where they have millions of products and says “If you have that many products you can afford to fail some of them. When you are a luxury goods company, a one-time piece can be crucial for the firm.” (Laurent François, March 21, 2019). Furthermore, François mentions the challenge with intellectual property rights and secrecy which makes it hard to use social media in the PD process. It is something he discusses with his clients all the time. Adriam Pali acknowledges the potential with using social media in the PD process. However, she also implies that luxury brands are afraid to be too transparent as information might leak to its competitors. Furthermore, she has acknowledged that managers do not really know how to engage with their online communities. She says: “They do not know what channels to actually
use, if it is Messenger, Facebook, Instagram or Twitter etc.” (Iony Adriam Pali, March 21, 2019). Consequently, Adriam Pali and François argue that a platform could help companies to involve the customers more in the PD process. However, once again François stresses that it is rather a question of creating the incentive for customers to engage and participate in the process. It is not the pure technical part that is the challenge.

Furthermore, Adriam Pali, Olivié and Voyer mean that the lack of control on social media is something that the luxury brands are really afraid of. Adriam Pali says that social media is a great black spot for the luxury goods companies. Improvements need to be made because it is now that the “rules of the game” have changed and if the customers are not satisfied with something they will go online and comment. Adriam Pali expresses her concerns about the lack of control on social media:

> The brands do not know how tackle this, they know it is a problem. Shall they delete the comments since it may harm the brand? But they still need to know how to engage and involve the customers and understand that they can also use the bad comments to make improvements of the products. (Iony Adriam Pali, March 21, 2019)

In addition, all of the experts further state that luxury goods companies risk losing their exclusivity by being present on and using social media. Voyer expresses his concern as followed: “Social media brings the masses in to a world that used to be exclusive. On one hand it is good because it creates a wider audience but on the other end you risk losing exclusivity” (Benjamin Voyer, March 27, 2019). In order to address this issue François mentions that he has seen that some luxury goods companies have started to introduce a notion of VVIP, which means very VIP. In the company's database there is 1 or 2 % of the best customers and the company actually treat them through WhatsApp or WeChat with direct advises or having a conversation when developing a customized product.

When discussing the benefits of involving customers in the PD process through social media, Adriam Pali implies that social media can help create a stronger engagement and create a feeling of belonging. She says: “Involvement through social media is engaging and it can also convert a follower to an ambassador as the person says “I have been approached by this brand and I am going to be vocal” (Iony Adriam Pali, March 21, 2019). In addition, François argues that social media can help to grow a product together with the customers and if you “grow up” together a bound is created that will never disappear. He says:

> By bringing people in at a very early stage in the PD process is not necessarily to replace your own ideas by other people's ideas, it is about to associate the result of the success of the product together with them. (Laurent Francois, March 21, 2019)

Voyer argues for the need of being able to be more connected, continuously having a dialogue with the customers and truly understand what is going on. Thus, give the customers a sense of what their contribution means to the company. Co-developing will hence require to be more substantial in terms of collaboration rather than about customizing the initials explains Voyer. Furthermore, Adriam Pali, Voyer and François state that another benefit with utilizing social media in the PD process is that the companies can reach out to several demographic groups and not being dependent on location. Thus, also being a more cost-effective method.

Additionally, both François and Adriam Pali bring up the internal process within the companies when involving customers through social media in the PD process. François mentions that it is still highly common that the scientific team is a bit disconnected from the communication team which does the same listing parts but not for the same reasons. This is something that creates a
challenge when using social media in the PD process since the different teams are not communicating with each other which limits potential findings. However, he has acknowledged that within companies it is becoming more common with innovation teams. The innovation team is then the crossroad between innovation, communication and science. Thus, the team supplies the scientists and the communication team with valuable information that they have retrieved from social media platforms. François argues though that it is not easy to achieve due to old and established practices. Meaning, that the scientists and the marketing team have always worked in isolation from each other. However, today they are forced to work more together and be connected. Adriam Pali further stresses on this point and says that working in innovation teams is a new practice within the luxury industry. She further implies that by having innovation and multidisciplinary teams together with involving customers enables to break the silos. Thus, contributing to develop better products that meets customer’s demands and needs. Additionally, Voyer discusses the importance that brands in the future must develop the skill of being more agile and as a consequence create a shorter PD process.
5. Analysis

In the following chapter, the empirical findings are analyzed by comparing the literature review to the findings from the luxury goods companies and the experts. In order to construct a clear and coherent structure throughout the whole thesis, the analysis chapter is presented in the same way as the literature review and the empirical findings. Thus, the chapter begins with analyzing the PD process, customer involvement and the utilization of social media. It further continues with analyzing the challenges and benefits with customer involvement, followed by the challenges and benefits with using social media. Finally, the chapter ends with presenting and analyzing identified industry specific characteristic affecting customer involvement and the use of social media.

5.1 Customer involvement in the PD process and the use of social media

It is important for a company to recognize and understand the different phases in the PD process since it creates a foundation for when and how customers can be involved (Nambisan, 2002). All of the seven investigated companies in this study express that they have a structured PD process going from idea to launch and post launch. This is not an unanticipated finding as all of the included companies are relatively large. They might, in comparison to small companies, have greater access to resources and a need of a structured PD process due to their size. However, the result demonstrates that only four of the companies, Swarovski, J.Lindeberg, By Malene Birger and Company X, explained their PD process in a detailed way and specified the different formalized phases. The formalized phases mentioned by these companies are relatively aligned with the general phases presented in theory (see section 2.1). Their phases have different names, but they cover the same actions to a great extent. Hence, the PD process explained in theory is relatively accurate with how the interviewed luxury goods companies have organized their process. The other three companies did not describe the process in a detailed way. In regard to Kering, Bensoussan is the CEO of the Watches & Jewelry division, meaning that he is managing six different brands. This might hence be the reason due to the limited description of the process as all of them have their own unique PD processes. Thus, due to time constraints the focus was put on customer involvement and social media in general among the Kering brands. Furthermore, Ted Baker’s PD process was not revealed due to limited knowledge in the specific phases. In regard to S.T Dupont, Malagatti, only revealed that the PD process looked differently depending on the product but did not want to go in to further details.

Moreover, the literature states that in order to ensure that customer information will be inserted in the company and transformed in a valuable way it is important to have a structured PD process and working in multidisciplinary teams (Nambisan, 2002; Jansen et al., 2005). Also, Giacosa (2016) highlights the importance of creating an intervention of a company’s all functional areas. The empirical result displays that only By Malene Birger and Company X put great emphasis on having multidisciplinary teams in their PD process. Linnet at By Malene Birger has through the implementation of the phase-gate process made sure that throughout the PD process every division is involved. This also enables to assure that the customer insights will be incorporated and to get the data in the right point of time. It is also mentioned by two of the experts, François and Adriam Pali, who mean that by having innovation and multidisciplinary teams and involving the customers helps breaking the silos which in turn can lead to better products which meets the customers’ demands and needs as the communication between the departments increases. Further, Swarovski has a structured PD process. However, they face the problem internally to capitalizing and absorbing all the feedback out on the market and on social media as they do not communicate with each other efficiently and do not work
in multidisciplinary teams. It can hence be discussed that by having a structured PD process and multidisciplinary teams it can enable an easier way to involve customers in the PD process which in turn also can open up the possibilities to use social media in a more integrated and beneficial way.

Interestingly, the findings reveal that both experts, François and Adriam Pali explain that the cosmetics segment within luxury goods industry are in the forefront of using customer involvement in general and especially through social media. However, none of the interviewed companies are within this sector and it is hence difficult to make any further elaborations regarding this topic. The expert François reasons that product developments within cosmetics are more dependent on trends, new behaviors and customers’ needs to a higher extent than when it comes to apparels, accessories, jewelry and watches. Hence, the cosmetic companies rely more on the demand of the customers than in other categories within the luxury goods segment where it is commonly a industry characteristic that luxury brands are trendsetters and not followers (see section 5.6.1 for further discussion).

Furthermore, all of the interviewed companies interact with their customers in some way during the PD process, however the level of involvement varies between the companies. Nambisan (2002) states that customer involvement in product development can either be indirect or direct. Also, depending on which phase the development process is in, the customer interaction varies since there might be different purposes to involve the customer in the different stages (Crawford & Di Benedetto, 2011; Nambisan, 2002). According to Nambisan (2002) there are three different customer roles that are relevant for the PD process: Customer as a Resource, Customer as a Co-Creator and Customer as a User. The empirical findings reveal that none of the respondents uses these exact definitions when describing the customer’s role. Some of the respondents rather mention that customers can be used as a mean to acquire idea inputs, act as product testers and help to launch products. Thus, these ways of involving the customers are aligned with Nambisan’s (2002) roles even if not expressed in the exact same words. Furthermore, when not taking into account the customer involvement through social media all of the companies reveals that they mainly directly involve customers in the later stages of the PD process such as in the validation and launch phase through e.g. using focus groups and showing them prototypes. Hence, meaning that the customer takes the role of a user (Nabisan, 2002). However, Sergent at Swarovski and Linnet at By Malene Birger are the only respondents that explicitly say that they do study customer behaviour and preferences in the post launch and in the idea phase in order to get insights. Consequently, Nambisan (2002) states that the customer takes the role as a resource in these phases. This is done in an indirect way and that they rather directly involve the customer first in the later stages through focus groups. However, this finding can be supported by previous research that concludes that the role of the Customer as Co-Creator, involved in the two phases concept generation & definition and development, is often more apparent in industrial products than in consumer products (Nambisan, 2002).

In regard to using social media as a tool for customer involvement, the empirical findings reveal it is utilized to different degrees and different ways. The customer is either indirectly or directly involved, meaning that social media is being used to create either an one-way or a two-way communication when involving the customer in the PD process. However, the result demonstrates that the customers are mainly having the role as a resource, in the idea and post launch phases, which means that they are passive and involved in an indirect way (Nambisan, 2002). To exemplify, Werner at J.Lindeberg says that they use social media in some way unconsciously, meaning that through social media he realizes what products that works and what gets the most attention by the customers. This information is then incorporated into the
next product line. Sergent at Swarovski means that they do not use social media to directly involve the customer to improve the product itself. She explains that the company rather retrieves information from social media comments, meaning that the customer is indirectly involved, in order to improve their products. Linnet at By Malene Birger says that the Creative Director and the design team often go out on different social media channels to get inspiration and understand what is happening right now. The respondent at Company X says that when it comes to social media in the PD process, they do not use it in an active way. Social media is hence used for listening rather than for engaging. Malagatti at S.T. Dupont expresses that they use social media in the idea phase in order to screen the market, meaning that the customer is passive. Lastly, at Ted Baker, social media is mainly used to get inspiration and to be updated about what is going on, meaning that the company do not actively interact with the customers through social media. These findings indicate that social media as a tool for customer involvement can be, from the researchers’ perspective, perceived as an informal source of information in the PD process for six of the seven interviewed companies. Meaning that the companies are conducting external and occasional searches of information on different social media platforms to obtain feedback on customers’ preference, market trends and product feedback, rather than an active application in the PD process where they actively interact with the customers in a two-way communication.

Moreover, the empirical findings indicate that only Kering and S.T. Dupont are utilizing social media as a formal source of information in the PD process, meaning that social media provides a platform for the firm to actively interact with their customers. Thus, this is being done in the development, validation and launch phases. Bensoussan at Kering mentions that they interact with their customers through digital tools which enables them to more instantaneous and quicker retrieve the information instead of physically arrange a focus group session. At S.T. Dupont they rather use channels such as WhatsApp, Instagram and WeChat to contact a set of their VIP clients to test new ideas and to have a two-way communication with them. Further, they also use these channels when customers order a tailor-made item, this to send updates during the development phase and communicate the making of the process through for example taking pictures and messages via WhatsApp or WeChat. Hence the customer takes the roles of Co-Creator and User (Nambisan, 2002). Moreover, this type of customer involvement is, according to expert François, increasing. He sees that today, some luxury goods companies have started to introduce a notion of VVIP, which means very VIP. In the company's database there is 1 or 2 % of the best customers and that the company actually treat them through WhatsApp or WeChat with direct advises or having a conversation when developing a customized product. This in turn could enable brands to hold on to their exclusivity aspect by only involving a certain group of customers. Choi et al. (2014) and Choi et al. (2015) argue that luxury brands have always valued to establish strong relationships with their customers. Also, these brands put a lot of emphasis to create novel interaction and innovative experiences through co-creation encounter with their customers. S.T. Dupont hence, has created a novel way to establish strong relationships and co-creation through social media as the customer is directly involved and hence a two-way communication is present in order to together develop a product. This can hence contribute to enabling long lasting success (Choi et al., 2014; Choi et al., 2015).

The reason why only two of the seven interviewed companies use social media in a formal way during the PD process could be explained by two of the experts. François states that luxury goods companies have rather capitalized on using social media to follow and monitor customers but that it is only recently that the brands have decided to take a more proactive role and establish a two-way communication with the customers on social media. In contrary, Olivière
says that luxury goods companies is at a very early stage in the usage of social media because these brands think from an “offer strategy” point of view and not from a “demand strategy” point of view meaning that luxury goods companies puts the product, the design and creation in the brand and not the customer. Meaning that luxury companies are more brand oriented than customer oriented, hence not building the brand from the customers’ demands. Both of their viewpoints can be an explanation for why only two of the interviewed companies use social media in the PD in a formal and active way.

Moreover, the usage of social media in the PD process is also used in the launch phase as a communication and marketing tool by all of the companies. In addition, all of the experts argue that it is highly common to use customers and influencers in the launch phase, as a marketing tool. This in order to raise curiosity and create trust among consumers. However, it can be discussed to what extent the use of influencers can be defined as a formal and active and/or informal and passive utilization of social media. The majority of the companies mention that influencers are used in the launch phase to better launch the products. The theory state that it is common that customers are invited to help launch product through a trial of the new product in form of samples which in turn can lead to a purchase (Crawford & Di Benedetto, 2011; Ulrich & Eppinger, 2003). However, it can be discussed to which extent an influencer is a customer or not, or if they can be seen as “specific” type of customer if they are not purely involved for marketing purposes. This topic is further debated by Linnet at By Malene Birger who highlights the difference between an influencer and a customer. He claims that an influencer is not a customer as it is the person's profession. The firm hence uses influencers in the launch phase, but Linnet sees it as a pure marketing tool. However, expert Voyer argues that it is easier to co-create with celebrities, influencers and artists than having an intimate relationship with millions of people. Also, expert Adriam Pali has identified that the younger generation wants brands to co-create with influencers and artists and that social media is then a great channel to showcase the collaborations. Thus, keeping the masses appealed and create authenticity among customers but without directly involve the masses argues the two experts. It can therefore be discussed that influencers in the luxury goods industry can be perceived as a method to create the feeling that the companies do directly take into account the customer’s voice in the PD process even if influencers might not per se be a customer. However, another standpoint can be that as long as the influencers are a part of developing a product they can be seen as “potential” customers, meaning that the influencer are a part of the customer segment even if they de facto do not buy the products. If this is the case, the influencer takes the customer role as a user.

5.2 Challenges with customer involvement in the PD process

The literature review separates customer involvement and social media in the PD process which hence has created a foundation of the research. However, the empirical findings have shown that they are not mutually exclusive. An attempt has though been made to separate them apart. Therefore, some challenges and benefits that are explicitly expressed to be connected with social media might also be associated with customer involvement in general and vice versa.

Table 5.1 below displays the challenges presented in theory and which of the interviewed companies confirm these challenges. The empirically gathered data show relatively low confirmation of the existing literature described challenges related to customer involvement since none of the challenges are mentioned by the majority of the companies. The reason for this might be that these challenges are general challenges, not depending on a given industry and/or due to the above-mentioned reason regarding mutual exclusivity. The companies
mention other challenges that the literature does not bring up, which is more specific for the luxury goods industry. These industry specific challenges will be analyzed and discussed further down (see chapter 5.6).

<table>
<thead>
<tr>
<th>Challenges - customer involvement in PD process</th>
<th>Described by Companies</th>
<th>Confirmed by Companies</th>
</tr>
</thead>
<tbody>
<tr>
<td>Selection of customer as innovator (Nambisan, 2002)</td>
<td>It is a challenge to know if we should involve only current consumers and/or future consumers. - Swarovski</td>
<td>Swarovski</td>
</tr>
<tr>
<td>Need for varied customer incentives (Nambisan, 2002)</td>
<td>Not mentioned by the companies</td>
<td>Not mentioned by the companies</td>
</tr>
<tr>
<td>Enhancing customers’ product/technology knowledge (Nijssen et al., 2012)</td>
<td>Consumers do not always possess the extensive knowledge which is required to have early on in the PD process. - S.T. Dupont</td>
<td>S.T. Dupont</td>
</tr>
<tr>
<td>Compromise on time and effort (short vs long term projects) (Nijssen et al., 2012)</td>
<td>Not mentioned by the companies</td>
<td>Not mentioned by the companies</td>
</tr>
<tr>
<td>Effectiveness in relation to input (Nambisan, 2002)</td>
<td>“You cannot go from iteration to iteration constantly each time you have different aspects [...]” - Albert Bensoussan at Kering, April 1, 2019</td>
<td>Kering</td>
</tr>
<tr>
<td>Evaluation of customer suggestions (Cui &amp; Wu, 2017; Nambisan, 2002)</td>
<td>You cannot always rely on the final demand and advise of the end consumers to decide to create or not create a certain line or a specific product. - Kering</td>
<td>Kering</td>
</tr>
<tr>
<td>Cost when creating a co-creation process (Mahr et al., 2014)</td>
<td>You need a lot of investments to do so. - S.T. Dupont</td>
<td>S.T. Dupont By Malene Birger Company X</td>
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<td></td>
<td>It is too expensive to have focus groups in every PD phase. - By Malene Birger</td>
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<td></td>
<td>It would lead to high costs if using focus groups every time. - Company X</td>
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<tr>
<td>Leakage of information to competitors (Prahalad &amp; Ramaswamy, 2004; Nambisan, 2002)</td>
<td>Not mentioned by the companies</td>
<td>Not mentioned by the companies</td>
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Table 5.1. Comparison between challenges related to customer involvement stated in theory and confirmed empirically

5.2.1 Selection of customer as innovator

Nambisan (2002) states that companies often find it hard to locate and select appropriate customer innovators and to know whether to involve only existing or also potential future customers. However, the empirical findings show that only one company, Swarovski, mentions this as a challenge. The respondent says it can be hard to know if only current customers and/or future customers should be included in the focus groups. Some of the other companies rather mention that the focus groups consist out of different kind of customers such as current customers, potential customers and non-customers. To exemplify, Bensoussan at Kering argues that it is of great importance to involve both current and non-current customers in order to get
a wide range of inputs and enhance the creativity. Also, By Malene Birger reveals that the customer groups consist out of 3 different type of customers. Hence, it seems that these companies have a standardized procedure when constructing focus groups. Meaning that by having a prearranged structure of always involving a set of customer types might give the companies themselves, the perception of not having a challenge with selecting appropriate customers. However, this does not necessarily need to be the case. Also, none of the companies mention the aspects of locating customers as innovators. Thus, it is important to be critical, as the companies might still face this as a challenge even though they do not explicitly mention it.

5.2.2 Need for varied customer incentives
The theory mentions that it is of importance to give some incentive for customers to be willing to share information with the company but that companies often find it difficult to create suitable incentives (Nambisan, 2002). However, all of the companies imply that they do not find customer incentives as a challenge. They mean that the customers want to be a part of the brand identity and to feel recognized which in turn lead to that they want to share their thoughts and ideas. One of the reasons why these companies do not face any challenges with creating suitable incentives for involving customers might be due to an industry specific reason, namely that luxuriousness is also based on people's desire for it (Nia & Zaichkowsky, 2002). Further, the literature states that consumers need to be impressed by the philosophy, identity and culture of a luxury brand (Kapferer & Bastien 2009). It is hence of great essence that there is a symbolic importance for the customer through consumption of the product (Turunen, 2018). Also, Giacosa (2016) and Okonkwo (2007) say that customer loyalty and PD are greatly intertwined in the luxury industry, which then might contribute to the fact that customers actually want to be a part of the brand identity. Consequently, this might be the reason why the findings are contradicting the literature about customer incentives.

5.2.3 Enhancing customers’ product/technology knowledge
The theory brings up that the customer might not possess enough knowledge of the product to be able to be involved in the PD process in the most efficient way as possible (Nijssen et al., 2012). Only one company, S.T. Dupont, mentions that customers’ lack of product knowledge is a challenge if they would involve customers early in the PD process. The other firms do not bring up this type of challenge. However, this result can be argued by that the products that these companies develop are not that technically complex in comparison to more industrial high-tech products such as for example a car where several advanced technical components are included. A need might then be to enhance the customers’ product knowledge. For luxury goods it might rather be a question of enhancing and or to make sure that the customers possess the brand and trend knowledge to be able to co-develop products together with the company. This is a challenge, as customers are not possessing the knowledge of knowing what the trend will be in 1,5 years ahead as Linnet at By Malene Birger says.

5.2.4 Compromise on time and effort (short vs long term projects)
Nijssen et al. (2012) found that companies are often busy satisfying the customers’ short-term needs and demands, meaning that the firm might need to compromise on time and effort on more long-term projects involving more advanced product development and innovation. Consequently, it can harm the long-term competitiveness. This challenge is not mentioned by any of the companies. In contrary the respondents at J.Lindeberg, By Malene Birger and Ted Baker discuss that the PD process is very long in the luxury goods industry which makes it hard to satisfy the customers short-term needs. The industry, in comparison to FMCG, have a
long-term perspective and the creative director is planning 1-2 years ahead before launch. Both respondents at J.Lindeberg and By Malene Birger highlight that the customers do not know their needs such long time ahead. The industry therefore faces the opposite to what the literature states about this challenge. However, Neumann (1997) and Kapferer (2008) argue that the long term vision in the investments attitudes is of high importance in the luxury industry which can hence be explained why the companies do not seem to face this challenge as the long term perspective is deeply inherited in the way of doing business in the industry.

5.2.5 Effectiveness in relation to input
Kering is the only company that brings up a challenge related to that they cannot listen to customers and constantly iterate the PD process based on customers’ wishes. This is partially in line with a challenge that the literature addresses. Nambisan (2002) discusses the effectiveness in relation to the input in the PD process. It may take too long time to develop a product, particularly in the concept and the development phases, if the firm gets too much information from the customers. The process of involving and collaborating with customers has to be well managed. Companies need to be aware of that the information from customers can change the direction of the project several times, and therefore they need to be able to quickly navigate the development process, otherwise costs related to slowing down the process may occur.

5.2.6 Evaluation of customer suggestions
The theory states that when customers’ suggestions are attained by the company a challenge is how to evaluate these suggestions. The firm needs to be able to sort out the information in a structured way when the customer gives a lot of input. (Cui & Wu, 2017; Nambisan, 2002). The empirical findings show that two companies, Kering and Company X, mention this. They state that it is hard to evaluate customers’ suggestions as the brand cannot always rely on the final demand and advise of the end customer to decide to create or not create a certain line or a specific product. Furthermore, Company X argues that it is important to always balance innovation and history which is hard to combine with evaluation of customers’ suggestions. Kering and Company X need to guarantee that the developed product is aligned with the brand’s strategy and DNA which therefore makes it difficult to incorporate the right customer recommendations. Furthermore, the literature states that a challenge is that the selected customers who are providing with inputs might represent a small group of people leading to developing a product which does not represents the larger market needs (Nambisan, 2002). This issue is however not mentioned by any of the companies. In contrary, S.T. Dupont, Swarovski, By Malene Birger, Kering and Company X all say that the customers that are involved in the PD process represent different demographics such as customers, non-customers and variation of ethnicity. The perception is therefore that these companies are well aware of having a broad sample which represents the market.

5.2.7 Cost when creating a co-creation process
There is a large risk related to cost when involving the customers in the PD process. The identification and integration of customers often requires a large investment in both money and time. This especially when dealing with face-to-face communication channels which might outweigh the benefits of the project (Mahr et al., 2014). Three companies, S.T. Dupont, By Malene Birger and Company X, confirm that this is a challenge. Thus, using focus groups is an expensive method. Company X and By Malene Birger only integrate focus groups in one of the different PD phases, namely just before launch, due to the high cost. However, Linnet at
By Malene Birger mentions that there is a desire to use it in several phases if the budget would allow it.

5.2.8 Leakage of information to competitors

The literature covers the challenge that companies face regarding leakage of information to competitors when involving the customers in the PD process (Prahalad & Ramaswamy, 2004). None of the companies explicitly express that they perceive this as a challenge. However, as earlier mentioned, challenges with both customer involvement and social media in the PD process are not mutually exclusive. It is shown that five of the seven interviewed companies perceive secrecy issues and intellectual property difficulties (see Table 5.3). It is though mentioned by the companies in the context of social media and customer involvement (see section 5.4).

5.3 Benefits with customer involvement in the PD process

The empirical data display a relative high confirmation of the existing literature regarding benefits with customer involvement since four out of the seven benefits are mentioned by the majority of the companies (see Table 5.2).

<table>
<thead>
<tr>
<th>Benefits - customer involvement in PD process</th>
<th>Described by companies</th>
<th>Confirmed by Companies</th>
</tr>
</thead>
</table>
| Cognitive benefits for customers (Belonging to a community, Feeling of accomplishment, enjoyment) (Gemser & Perks, 2015) | They want to be a part of the brand identity. - S.T. Dupont
Customers want to be a part of their brand identity. - J. Lindeberg
Customers love to be a part of the brand, the community and sharing their ideas as they want to be heard and inspire other consumers. - By Malene Birger
Customers are identifying with the brand identity and want to be a part of the brand. - Ted Baker
Customers who were involved will then feel a level of accomplishment and might then buy the product. - Kering
These clients are passionate about the brand and want to feel a sense of belonging. - Company X | S.T. Dupont
J. Lindeberg
By Malene Birger
Ted Baker
Kering
Company X |
| Increased success in terms of product-customer fit (Mahr et al., 2014) | The inputs from the consumers enables the company to launch products which are more aligned with the demands of the consumers. - S.T. Dupont
It would be possible to do a collection that fit the right now, bringing in what the Creative Director missed, which would enable the consumer to be a part of the process and also to adjust products that will be a better fit for the consumers. - By Malene Birger | S.T. Dupont (Swarovski)
(J. Lindeberg)
By Malene Birger
Kering
Company X |
| **Greater diversity of knowledge & enhanced creativity**  
* (Kristensson et al., 2004) | By involving the customers really crazy, creative and novel inputs are being brought up.  
- S.T. Dupont  
Customer involvement is necessary when we are experimenting new ways. - Swarovski  
Working close to the customer to acquire a large diversity of knowledge. - By Malene Birger  
It is always interesting and important to have different customer groups to react to what you have to show. - Kering  
“*When you try to do something new it is essential to capture the client feedback, because the clients sometimes know what he or she wants better than you.*” - Respondent at Company X, May 1, 2019 | S.T. Dupont  
Swarovski  
By Malene Birger  
Kering  
Company X |
| **Increased probability of breakthrough ideas**  
* (Kristensson et al., 2004) | By involving the customers really crazy, creative and novel inputs are being brought up which are interesting to listen to and to potentially integrating them in the PD process. - S.T. Dupont  
“*What really makes disruptive innovation is the understanding of our clients and brands specificities to identify where we can bring value. Therefore, the magic happens during this ideation phase when the knowledge of the listening phase is combined with the remarkable creativity of a multidisciplinary team.*” - Respondent at Company X, May 1, 2019 | S.T. Dupont  
Company X |
| **Speed up the PD process**  
* (Kristensson et al., 2004) |  | Not mentioned by the companies |
| **Increased revenue**  
* (Mahr et al., 2014) | If they had not done that their sales would probably have dropped. - By Malene Birger | By Malene Birger |
| **Reduction of market failure and errors in the early phases of PD**  
* Magnusson et al., (2003) | S.T. Dupont used focus groups was when they wanted to investigate if they possessed the legitimacy to launch a new product line, a watch. They then asked different customer groups in order to assess it. Malagatti means that this contributed to minimizing potential market failure of launching a product that was not desirable and aligned with the brand. - S.T. Dupont  
Customer involvement can decrease the risk of market failure. - Swarovski | S.T. Dupont  
Swarovski  
By Malene Birger  
Company X |
It is important to integrate customer data and insights from idea generation to launch. This as it increases the possibility to detect discrepancy between the product and the customers’ needs.
- By Malene Birger

They indirect involve the customer in the Listening phase, in order to create an overall understanding of the customers and to decrease the risk of starting up a project that is not aligned with the specificities of their customers and the industry.
- Company X

Table 5.2: Comparison between benefits related to customer involvement stated in theory and confirmed empirically

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<tr>
<th>Benefits</th>
<th>Theory</th>
<th>Empirically</th>
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<tbody>
<tr>
<td>Cognitive benefits for customers</td>
<td>Gemser and Perks (2015) argue that the value creation process is beneficial in a social integrative sense for the customer. Also, literature covering the luxury goods industry state that customers’ needs should be considered when developing new products as it enables the customer to feel a belonging to a specific social affiliation and will please the customers of the brand (Giacosa, 2016). The empirical findings support the literature. Six out of seven companies mention that customers want to be a part of the PD process as the customers desire to be a part of the brand identity and as they want to feel recognized as discussed in section 5.2.2. For an example, Linnet at By Malene Birger expresses as following: “customers love to be a part of the brand, the community and sharing their ideas as they want to be heard and inspire other consumers” (Morten Linnet, March 25, 2019). Furthermore, the literature states that a cognitive benefit with involving the customer is that he or she will receive new products or upgrades before the rest of the market does, which can create a feeling of exclusivity (Gemser &amp; Perks, 2015). This benefit is only mentioned by Kering since the respondent mentions that the customers who are involved will feel a level of accomplishment and might then buy the product as a consequence of being a part of the PD process.</td>
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<td>Increased success in terms of product-customer fit</td>
<td>The literature states that a primary reason with customer involvement is to get accurate insights and understand customers’ demands. Customer co-creation enhances the chance of product adoption in the targeted market since the customer involvement increases success in terms of product-customer fit. (Mahr et al., 2014). The empirical result shows that four of the interviewed companies mention this benefit, namely S.T. Dupont, By Malene Birger, Kering and Company X. To illustrate, the respondent at S.T. Dupont says that the inputs from the customers enable the company to launch products which are better aligned with the demands of the customers. At Kering, involving the customers in the PD process contributes to acquiring an understanding about local sensitivities, issues of local culture, behavior and taste. Also, helping the brands to avoid simple mistakes of shape, volume, product specificities, techniques, outlook, design etc. Linnet at By Malene Birger sees the benefit of involving customers more in the PD process as it would enable the company to adjust their products, so they are a better fit for the customers. The respondent at Company X highlights that in their PD process the customers enable the department to develop disruptive products that are aligned with the customer’s needs. The respondent further explains;</td>
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When you try to do something new it is essential to capture the client feedback, because the client sometimes knows what he or she wants better than you. So, when you try to do something completely different you need them to tell you if it is going to work or not. You never know if something is good or not if you do not actually test it. It is simply essential to test the product and the experience with the client before launching it. (Respondent at Company X, May 1, 2019)

In addition, the respondent at Company X mentions that it is in the Learning phase, using focus groups, where they learn how to make the idea better for the market.

However, even though Swarovski and J.Lindeberg do not explicitly express that a benefit with customer involvement is to increase success in terms of product-customer fit, it can be discussed that it is an underlying reason for why they do involve the consumers at all. Swarovski says e.g. that by involving the customers they can give immediate feedback if the product is good or not. In addition, J.Lindeberg works with ski ambassadors who pre-test their product one year before launch to receive feedback. It can hence be interpreted that they do involve customers due to success in terms of product customer fit as this is one of the primary reasons for even involving customers in the PD process (Mahr et al., 2014). Concerning Ted Baker, it is hard to interpret to what extent and the reason why they involve customer.

5.3.3 Greater diversity of knowledge & enhanced creativity

At Swarovski it is important to involve the customer when they are experimenting new ways. Bensoussan at Kering says that is it important to have different customer groups to react on what the company does. S.T. Dupont and Company X pick different markets in the world in order to receive feedback from a diverse group of people. Furthermore, Company X says that “When you try to do something new it is essential to capture the client feedback, because the clients sometimes know what he or she wants better than you” (Company X, May 1, 2019). Linnet at By Malene Birger means that customer involvement has enabled them to understand what to focus on or not to focus on and incorporate customer insights in all the phases of the PD process. These five companies all imply in different ways that by involving customers, a greater diversity of knowledge input will be included in the PD process, potentially leading to a greater creativity level which is aligned with a benefit stated by Kristensson et al. (2004) in the literature.

5.3.4 Increased probability of breakthrough ideas

Kristensson et al. (2004) argue that greater diversity of knowledge and enhanced creativity can lead to an increased probability of breakthrough ideas. However, the empirical findings show that only two out of the seven investigated companies mention this benefit. Malagatti at S.T. Dupont states that customers’ feedback can contribute with new ideas as the customers gives really crazy, creative and novel inputs which are interesting to listen to and to potentially integrating them in the PD process.

Furthermore, Company X has understood the essence with creating breakthrough and disruptive ideas, consequently establishing the Disruptive Innovation department. The respondent mentions that the phases where they come up with the novel ideas are in the Listening and Learning phases. Customers take an indirect role in the Listening phase and a direct role in the Learning phase where the firm interacts through focus groups and showcasing. The respondent expresses their work as followed:

What really makes disruptive innovation is the understanding of our clients and brands specificities to identify where we can bring value. Therefore, the magic happens during this ideation phase when the
knowledge of the listening phase is combined with the remarkable creativity of a multidisciplinary team.
(Respondent at Company X, May 1, 2019)

The literature which covers the PD process in the luxury goods industry states that it is of great importance that companies have a delicate balance between incremental and radical (breakthrough) innovation (Giacosa, 2016). It is hence interesting that only one company explicitly says that they work with disruptive and breakthrough innovation. However, a discussion can be made whether the luxury industry is receptive to employ breakthrough innovation or not. This aligns with the view that Company X holds. They launched the Disruptive Innovation department two years ago as they believe that the luxury industry has not yet been disrupted to a high extent compared to other industries. However, Company X strongly believes that the time will come. Consequently, Company X aims to be the disruptor rather than to be disrupted.

5.3.5 Speed up the PD process
Kristensson et al., (2004) state that if customer collaboration is managed in a correct way the transfer and transformation of customer knowledge can speed up the PD process. The empirical result shows no confirmation of this benefit. However, five of the seven companies express that they currently have a too long PD process. Kering, Swarovski and By Malene Birger are all trying to shorten the process. For example, Swarovski has established their parallel fast track Innovation process. However, the empirical findings show that none of the companies expresses that customer involvement can be an advantageous method to shorten the PD process.

5.3.6 Increased revenue
According to the literature, Mahr et al. (2014) state that by involving customers in the PD process can enhance the product adoption in the target market, which consequently can lead to positive financial performance and increased market shares. The empirical findings show that only one company explicitly expresses this. Linnet at By Malene Birger says that without the insights about their customers and their perceived notion of the brand the company sales might have dropped. However, a discussion can be made based on the fact that a main reason for a business is to be profitable. Consequently, their actions are based to increase revenue, and therefore the action of involving customers in developing products should be aligned with the aim to be profitable. Hence, even though none of the companies explicitly expresses this a benefit, it might still be the case if taking into account the aim of a business’s actions.

5.3.7 Reduction of market failure and errors in the early phases of PD
Magnusson et al. (2003) state that a benefit with involving customers is that it can lead to reduction of market failure and errors in the early PD process. The literature is supported by four companies, Swarovski, By Malene Birger, S.T. Dupont and Company X. Sergent at Swarovski gives an example, that Swarovski tried to sell technological connected products but did not conduct any research before launching the products. However, as they did not receive a positive feedback from the customers, they withdrew the collection. Sergent argues that it would have been more efficient and better if they would have met and talked to consumers instead of launching products with the aim to just launch connected products. Additionally, Linnet at By Malene Birger says that it is important to integrate customer data and insights from idea generation to launch. This as it increases the possibility to detect discrepancy between the product and the customers’ needs. Malagatti at S.T. Dupont further strengthen the literature by exemplifying from one project where the firm used focus groups when they wanted
to investigate if they possessed the legitimacy to launch a new product line. They then asked different customer groups in order to assess it, hence contributing to minimizing potential market failure of launching a product that was not desirable. Company X further supports the literature by expressing that they involve the customer in an indirect way in the Listening phase. This to create an overall understanding of the customers and to decrease the risk of starting up a project that is not aligned with the specificities of their customers and the industry.

The empirical findings show rather that the investigated companies integrate the customers to a higher extent in the later stages of the PD process. This might be due to an industry specific reason, supported by the experts as well as the majority of the companies. Consequently, the result implies that luxury goods companies are perceiving themselves as trendsetters. Thus, the ideas mainly are generated by the company itself and not by the customers (see section 5.6.1 for further discussion).

5.4 Challenges with social media in the PD process

The empirical data display a high confirmation of the existing literature described challenges related to social media since five out of the eight challenges are mentioned by the majority of the companies (see Table 5.3). The majority of the companies do not use social media in the PD process in a formal way which can be due to the perceived challenges with it.

<table>
<thead>
<tr>
<th>Challenges of using social media</th>
<th>Described by Companies</th>
<th>Confirmed by Companies</th>
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<tbody>
<tr>
<td><strong>High level of effort is needed in order to succeed</strong> (Edvardsson et al., 2010; Kaplan and Haenlein, 2010; Kärkkäinen et al., 2010)</td>
<td>Using social media requires a high level of effort regarding time and to employ innovative ways to tailor their communication. - S.T. Dupont</td>
<td>S.T. Dupont J.Lindeberg</td>
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<td>J.Lindeberg would use social media to a higher extent if they would have more staff and tools to do so. - J.Lindeberg</td>
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<tr>
<td><strong>Unbalanced target group orientation</strong> (Bartl et al., 2012)</td>
<td>It is hard to locate the right people that possess suitable knowledge. - S.T. Dupont</td>
<td>S.T. Dupont J. Lindeberg Ted Baker Kering</td>
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<td>“It can be a proper customer who loves your brand but it can also be someone that does not even know you and just wants to have fun and comment bad things about your brand. And that is a big challenge that I think any brand faces.” - Jens Werner at J.Lindeberg, March 22, 2019</td>
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<td>There is a challenge of knowing how representative the sample is that they are talking with through social media. - Ted Baker</td>
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<td>The issue is the targeting with whom you will speak to. - Kering</td>
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<tr>
<td><strong>Secrecy issues and intellectual property difficulties</strong> (Bartl et al., 2012)</td>
<td>People within luxury do not want to give up what they are doing. It is a very secretive industry. - S.T. Dupont</td>
<td>S.T. Dupont Swarovski Ted Baker Kering Company X</td>
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<td>Lack of absorptive capacity and difficulties to manage huge amount of information (Liu &amp; Kop, 2015)</td>
<td>Social media is growing so fast that it has gone out of their control as there is so much available data. Hence, they do not know how to use it and how to interpret the consumers’ needs - S.T. Dupont</td>
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<td>We just see the comments because we go on Facebook and different social media, but there is no link from communication to marketing to get the feedback from the market. - Swarovski</td>
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<td></td>
<td>They get a lot of messages, but they cannot read and answer them all. - J.Lindeberg</td>
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<tr>
<td>“A challenge with social media is that you need to be structured, otherwise you will not succeed to get in the consumer insight in the creative process. You need to interpret the data into the process.”</td>
<td>- Morten Linnet at By Malene Birger, March 25, 2019</td>
<td></td>
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<tr>
<td>Not mentioned by the companies</td>
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<tr>
<td>Identifying customers’ hidden needs (Liu &amp; Kop, 2015)</td>
<td>She cannot see that the company can send a questionnaire to their e.g. Instagramers and that</td>
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<tr>
<td>Lack of effective evaluation tool and infrastructure (Liu &amp; Kop,</td>
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<td></td>
<td>S.T. Dupont</td>
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<td>Swarovski</td>
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| Can be hard for customers to visualize without an accurate prototype (Liu & Kop, 2015) | “It is difficult for people to understand how the products looks like because at the conception stage it is hard to visualize how it would actually be used in reality. In the luxury industry S.T. Dupont is a product-based company, the product is a key. That is why in the prototype phase we have focus groups and do qualitative analysis.”  
Megha Malagatti at S.T. Dupont, March 20, 2019 |
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<td>People want to hold the product and use it before giving the feedback. - Swarovski</td>
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<td>To get people in to actually see and touch the product is something you cannot get from social media. - Ted Baker</td>
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<td>Wants to involve the customer first when they have physically and presentable products. It is hard for customers to evaluate and visualize the product without an accurate prototype. - Kering</td>
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</tbody>
</table>
| “It is difficult because it is something emotional that you need to see and touch.”  
Respondent at Company X, May 1, 2019 |
| Difficulties for companies to control their content (Kaplan & Haenlein, 2010) | “[...]We need to make sure that we are speaking in our language to the consumers and not in another brand’s language. That is very important [...]”  
Megha Malagatti at S.T. Dupont, March 20, 2019 |
| | How you should control everything. – Swarovski |
| | S.T. Dupont  
Swarovski  
Ted Baker  
Kering  
Company X |
Consumers can react in a split second and hence harm the brand with bad content. - By Malene Birger

**Table 5.3. Comparison between challenges related to social media stated in theory and confirmed empirically.**

5.4.1 High level of effort is needed in order to succeed

Only S.T. Dupont and J.Lindeberg confirm the literature, that high level of effort is needed in order to succeed with using social media in the PD process (Kaplan & Haenlein, 2010). Malagatti at S.T. Dupont mentions that as customers are being bombarded with advertisements on social media, it is hard to trap the attention span of the customers. Hence, using social media requires a high level of effort regarding time and to employ innovative ways to tailor their communication she means. Werner as J.Lindeberg also recognizes this challenge as he highlights that the company would use social media to a higher extent if they would have more staff and tools to do so. Companies need to be engaged with the customers and go beyond just listening to them. Though, this requires frequent activity which, according to Kaplan and Haenlein (2010), is a challenge since many companies do not have time to reach a certain level of commitment and engagement to do well. Also, the time resources needed do also require personnel and financial resources (Kärkkäinen et al., 2010), which hence are addressed as a challenge by J.Lindeberg.

5.4.2 Unbalanced target group orientation

The literature states that one challenge with using social media in the PD process can be due to unbalance target group orientation (Bartl et al., 2012). Four companies express this as a challenge. Social media brings challenges with knowing how representative the sample is states Davis at Ted Baker. This is confirmed by the literature as customer ideas and needs can be specific and not represent a larger group (Bartl et al., 2012). Also the respondents at Kering, S.T. Dupont and J.Lindeberg acknowledge some of the issues with knowing and allocating whom to target, speak and/or to listen to on social media.

5.4.3 Secrecy issues and intellectual property difficulties

Bartl et al. (2012) argue that one fundamental challenge that companies face when utilizing social media is related to secrecy and intellectual property issues, which also is an overall concern with customer involvement in general. This challenge is confirmed by five companies. The empirical findings show that legal problems regarding intellectual properties may occur when exploiting customers inputs on social media channels. Also, by using social media to integrate the customer in the PD process can lead to competitors getting hold of secret information. For example, Sergent at Swarovski says, “From time to time, it can be highly confidential because we want to be first on the market with a specific idea.” (Christelle Sergent, March 20, 2019). She also means that behind the idea you have the problem of intellectual properties if using social media to involve the customer. This challenge is also brought up by the expert, François, that intellectual property rights and secrecy when it comes to social media is something that he discusses with his clients all the time.

Expert Adriam Pali mentions the company Glossier and says that they have managed to involve their customers and use social media really well, and that the luxury industry have not reached that far when it comes to being transparent and involving the customers on social media and building products together with the online community. This because the luxury companies do not know how to handle it and afraid of leaking information.
Prahalad and Ramaswamy (2004) state that information leakage is never desirable, but to be able to create and nurture a certain level of trust it is sometimes imperative to open up the company. However, it is hard to open up the doors too much for companies within the luxury goods industry due to secrecy concerns and that it is in their DNA’s to be exclusive (Turunen, 2018). This is one of the greatest reasons why the industry has been slow to adapt to be present on the social media as of the importance of being exclusive. Luxury goods companies are hence constantly struggling to create a balance of being accessible and still being exclusive (Turunen, 2018; Kapferer, 2012). Aligned with the literature, Company X brings up that in general, the image of a luxury goods brand is often associated with something closed, mysterious and magic. Also, Malagatti at S.T. Dupont tresses that the luxury industry is a very secretive industry and is limited to involve the customers to a high extent. Consequently, this might be the reason why a majority of the companies express the concerns of secrecy issues and intellectual property difficulties in connection with using social media in the PD process.

5.4.4 Lack of absorptive capacity and difficulties to manage huge amount of information

S.T. Dupont, Swarovski, J.Lindeberg and By Malene Birger all mention that they face the challenge with managing huge amount of information provided on the social media. This is aligned with the literature, where Liu and Kop (2015) state this as a substantial concern when involving customers through social media in the PD process. To illustrate, Sergent at Swarovski phrase as followed; “We just see the comments because we go on Facebook and different social media, but there is no link from communication to marketing to get the feedback from the market.” (Christelle Sergent, March 20, 2019). In addition, the respondent at S.T. Dupont states that as social media is growing so fast it has gone out of their control. They do not know how to use and interpret it. The challenge is further strengthened by expert Voyer who argues that companies can find a lot of information on social media, but it is difficult to assess what to listen to and follow. An interesting empirical finding is that in contrary, Company X, does not find it hard to navigate and to know what to listen to on social media. Their Disruptive Innovation department possess effective tools of handling this according to the respondent. Consequently, it can be discussed whether managing huge amount of information is especially hard for companies having departments with established, matured and rigid structures. Hence, having a Disruptive Innovation department, with a more agile structure, might require possessing such capability to a much larger extent in order to be effective and successful when utilizing social media.

5.4.5 Identifying customers’ hidden needs

Liu and Kop (2015) have through their research found that companies often find it hard identifying customers’ hidden needs when using social media in the PD process. The empirical findings do not support the literature since none of the companies explicitly mentions this. However, it is important to bear in mind that this challenge can be linked to the above-mentioned challenge concerning difficulties to manage huge amount of information. Meaning that huge amount of data can also lead to that it is harder to search for and identify the hidden needs. Even though the companies do not explicitly talk about this certain problem it might still be a challenge for them. Hence, the challenge of identifying customers’ hidden needs can be an indirect effect of the difficulties of managing huge amount of information.

5.4.6 Lack of effective evaluation tool and infrastructure

The literature states that a challenge is to implement an effective evaluation tool and infrastructure that will enable to process the information on social media (Liu and Kop, 2015). The empirical findings highly support the literature. It is the since single most anticipated
challenge since all of the seven investigated companies mention that the right tool is missing in order to utilize social media in the PD process. In addition, expert Adriam Pali does see the potential for using social media in the PD process, however what she has seen from luxury goods companies that she has worked with is that the managers do not really know how to engage with their online communities. Bensoussan at Kering says that it is not technically harder for luxury brands compared to FMCG brands to involve the consumers through social media it is just slightly more complex as they need to integrate brand values and brand DNA to a greater extent. Additionally, expert François argues that it is not a technical issue of using social media, rather that it is a cultural one. Only 2% of the total word of mouth actually leave a digital footprint, resulting in 98% being undiscovered if only using social media. Hence, the luxury goods companies need to find ways of making the 98% of the things never talked about active. Consequently, luxury goods companies need find ways on how to interact on social media to increase the percentage of people leaving a digital footprint. This can therefore be a cultural issue since utilizing social media in the luxury goods industry might be a way of diminishing the feeling of exclusivity which is, according to expert Olivié, a core value in the industry. In order to be competitive on the market the literature states that luxury brands always have been keen to establish strong relationships with their customers. Hence, it is of great importance to create novel interaction and innovative experiences through co-creation encounter with their customers (Lee et al., 2015; Cho et al., 2015; Giacosa, 2012). It can therefore be discussed that companies within the luxury goods industry need to assess how they can grow together with their customers in this new digital social media landscape.

5.4.7 Can be hard for customers to visualize without an accurate prototype

The literature is supported by five of the seven interviewed companies, S.T. Dupont, Swarovski, Ted Baker, Kering and Company X. They have all addressed that it is hard for the customer to visualize a product and give accurate feedback before a prototype is made and that social media makes it even harder for the customer to understand the product since he or she cannot use all the senses (Liu & Kop, 2015). To illustrate, the interviewee at Ted Baker means that to get people in to actually see and touch the product is something you cannot get from social media. The respondent at Company X says that using social media is difficult because the products is something emotional that you need to see and touch. Social media hence brings a challenge for luxury goods companies as one of the great cornerstones in luxury is that goods create additional pleasure which flatter all of our five senses (sight, hearing, smell, taste and touch) at the same time (Kapferer, 2012). This is something that also Malagatti at S.T. Dupont brings up. That digitalization and social media cannot touch on all five senses which are very important aspects in the luxury industry. Thus, through digital channels, luxury brands have a difficulty to provide the whole package which limits their ability to convey the whole experience.

5.4.8 Difficulties for companies to control their content

The literature states that one challenge with using social media in the PD process is that it can lead to difficulties for companies to control their content. Also, it is argued that social media can result in generations of negative content and publicity, accessible for all. (Kaplan & Haenlein, 2010). The empirical findings show that three companies, S.T. Dupont, By Malene Birger and Swarovski acknowledge this as a challenge. Linnet at By Malene Birger discusses that they need to be careful as consumers can react in a split second and hence harm the brand with bad content making. Malagatti at S.T. Dupont expresses as following “We need to make sure that we are speaking in our language to the consumers and not in another brand’s language. That is very important.” (Megha Malagatti, March 19, 2019).
In addition, the three experts Adriam Pali, Olivié and Voyer also acknowledge this challenge. Hence, the lack of control on social media is something that the luxury brands are really afraid of. Adriam Pali says that it is a great black spot for the luxury goods companies and that improvements need to be made because it is now that the rules of the game have changed. If the consumers are not satisfied with something they will go online and comment. Adriam Pali, Olivié and Voyer further state that the luxury companies risk losing their exclusivity by using social media. Voyer expresses this further as “Social media brings the masses in to a world that used to be exclusive. On one hand it is good because it creates a wider audience but on the other end you risk losing exclusivity.” (Benjamin Voyer, March 27, 2019). Likewise, Adriam Pali expresses her concern about the lack of control on social media:

The brands do not know how to tackle this, they know it is a problem. Shall they delete the comments since it may harm the brand? But they still need to know how to engage and involve the customers and understand that they can also use the bad comments to make improvements of the products. (Iony Adriam Pali, March 21, 2019)

5.5 Benefits with social media in the PD process

The empirical data display a relative low confirmation of the existing literature described benefits related to social media since only one out of the seven benefits are mentioned by the majority of the companies (see Table 5.4).

<table>
<thead>
<tr>
<th>Benefits of using social media</th>
<th>Described by Companies</th>
<th>Confirmed by Companies</th>
</tr>
</thead>
<tbody>
<tr>
<td>By using social media, the legitimacy for the company increases (Kaplan &amp; Haenlein, 2010)</td>
<td>Insights and what the consumers want. - S.T. Dupont</td>
<td>Not mentioned by the companies</td>
</tr>
<tr>
<td>Follow consumer needs and provide an easier way to filter and analyze these needs (Kaplan &amp; Haenlein, 2010)</td>
<td>Enables to understand what is going on out there and what the discussions are about. Thus, helping to create an overall understanding about the customer. - Company X</td>
<td>S.T. Dupont Company X</td>
</tr>
<tr>
<td>Reach out to a large number of users regardless of geographical location (Kaplan &amp; Haenlein, 2010)</td>
<td>Enables the company to create a better relationship regardless of the consumers’ location in the world. - S.T. Dupont</td>
<td>S.T. Dupont Ted Baker Kering</td>
</tr>
<tr>
<td>Customers hence play an important and crucial role as they are spreading the message about the brand which increases the brand awareness says Davis. Thus, without them it would be much harder. - Ted Baker</td>
<td>“Rather than having 10 - 20 people in a room you can have access to 100 people of individuals at once when using social media.” - Albert Bensoussan at Kering, April 1, 2019</td>
<td></td>
</tr>
<tr>
<td>Relatively low cost and higher level of efficiency of information</td>
<td>Social media gives the opportunity to faster and more broadly acquire insights. - S.T Dupont</td>
<td>S.T. Dupont</td>
</tr>
</tbody>
</table>
collection in comparison with more traditional communication tools (Mahr et al., 2014; Kaplan & Haenlein, 2010; Liu & Kop, 2015)  
Swarovski  
Ted Baker  
Kering

Social media in the PD is beneficial as it enables to more quickly acquire information, immediate reactions and responses in comparison with traditional offline tools. - Swarovski

Social media enables the company to get constant and faster feedback than before - Ted Baker

Today, due to social media and technology, it is more instantaneous, quicker and efficient than ever before - Kering

Enables relationship building between C2C and B2C (Liu & Kop, 2015)  
S.T. Dupont  
By Malene Birger

Online community for cigar smokers to both educate people as well as creating an experience where like-minded can share their thoughts and passion. - S.T. Dupont

It has changed the level of engagement with the clients to a high extent. - By Malene Birger

Higher probability that the “knowledge stock” in the company increases (Liu & Kop, 2015)  
Not mentioned by the companies

It has changed the level of engagement with the clients to a high extent. - By Malene Birger

Customers who are a member of social media communities are to a high extent willing to provide with information and knowledge to the innovation process (Füller, et al., 2008)  
Not mentioned by the companies

Table 5.4. Comparison between benefits related to social media stated in theory and confirmed empirically.

5.5.1 By using social media, the legitimacy for the company increases

For customers today, it is important that companies use and are present on the social media as social media is a part of the customer’s everyday life. Hence, being present on social media increases the legitimacy of the company mean Kaplan and Haenlein (2010). None of the companies express this as a benefit during the interviews. However, all of the experts argue that as customers’ online presence has grown it has enforced luxury brands to adapt and to be visible on social media. This is aligned with Chandon et al. (2016) and Turunen (2018) who state that luxury brands have become pushed to enter the digital space and adapt to consumers’ demands and new purchasing patterns in order to create authenticity among consumers. (Chandon et al., 2016; Turunen, 2018). Hence, it vital for even luxury brands today to use social media. However, expert Iony stresses that the luxury brands need to build a complete and coherent experience through all channels, both offline and online. These brands must balance the dynamical but positive tension between heritage and innovation even in the digital space. This to succeed with focusing on technology and innovation together with heritage as it constitutes the cornerstone of the brand argues expert Olivié. Thus, only with an accurate balance, authenticity can be conceived, which is one of the main quests within the industry. Also, Turunen (2018) states that it is of great importance to maintain exclusivity and the brand DNA while still having a digital presence. Consequently, by only using social media for luxury brands will therefore not by itself bring legitimacy. Brands rather need to employ a correct social media strategy in order to not harm the brand DNA and maintain the feeling of
exclusivity. Despite that none of the companies explicitly mention the increased legitimacy as a benefit, the empirical findings show that all companies are active on several social media channels and use it in various degrees in the PD process. Therefore, it can be discussed that the companies have understood the importance of being present on social media but that there is a constant challenge of either being successful in creating legitimacy or running the risk of hollowing out the exclusivity and heritage of the brand. Meaning that there is a delicate line between success and failure for the luxury brands on social media. Hence, it seems that the company’s brand plays a significant role and it is a recurring matter of subject.

5.5.2 Follow consumer needs and provide an easier way to filter and analyze these needs
Social media creates the opportunity for firms to follow consumer needs and provide an easier way to filter and analyze these needs (Kaplan & Haenlein, 2010). This benefit is only confirmed by two of the companies, S.T. Dupont and Company X. The respondent at Company X says that the usage of social media enables the company to understand what is going on out there and what the discussions are about. Thus, helping to create an overall understanding about the customers. It is also aligned with what the respondent at Company X mentions in the section about lack of absorptive capacity and difficulties to manage huge amount of information (see section 5.4.4). The respondent states that they do not face any challenges regarding this at the Disruptive Innovation department. They hence possess effective tools to navigate and to know what to listen to on social media. In contradiction, Malagatti at S.T. Dupont acknowledge this as a challenge in section 5.4.4. A finding is that she still mentions that social media enables them to faster and more broadly acquire insights even though they acknowledge difficulties to manage this huge amount of information.

5.5.3 Relatively low cost and higher level of efficiency of information collection in comparison with more traditional communication tools
The literature states that social media can lessen the cost as the firm can reach out to a lot of consumers (Lievens & Blazevic, 2014). Thus, the use of social media can lead to relatively low cost and higher level of efficiency in comparison to more traditional communication tools (Kaplan & Haenlein, 2010; Liu & Kop, 2015). The empirical result shows that the respondents at four of the examined companies, S.T. Dupont, Swarovski, Ted Baker and Kering express this as a benefit. To illustrate, Bensoussan at Kering states that due to social media and technology, it is more instantaneous, quicker and efficient than ever before. Davis at Ted Baker corresponds and mentions that social media enables companies to get constant and faster feedback than before. It can hence be perceived that social media has enabled these companies to reach a higher level of efficiency of information collection compared to only using traditional communication channels. A further discussion can be made as there is a perceived desire by S.T. Dupont, By Malene Birger and Company X to have focus groups in several PD phases but as it is an expensive method it is often only integrated in one of the different PD phases (see section 5.2.7). Hence, if utilizing social media to a higher extent in the phases where customer involvement is further desired could potentially decrease the cost of involving customers. Consequently, impacting the level of customer involvement in general.

5.5.4 Reach out to a large number of users regardless of geographical location
Social media provides a medium that lets anyone to reach information without any geographical or time limits (Kaplan & Haenlein, 2010). The empirical findings demonstrate that three of the examined companies mention this as a benefit. Malagatti at S.T. Dupont mentions that they can create better relationships with their customers regardless of the customers’ location in the world. Whereas, Bensoussan at Kering says that by using social
media enables them to reach out to 100 individuals at once instead of having only 10-20 people in a physical room. For Ted Baker it is rather a question about the important role that the customers play. Customers have a significant and influential part in the launching of the products as they display the products on the social media, transmitting the message of the brand to other consumers. Davis at Ted Baker states that without social media and their customers it would be much harder to reach consumers to such a global and wide extent. Additionally, the experts Adriam Pali, Voyer and François also state that a benefit with social media is that the companies can reach out to several demographic groups and not being dependent on location. This is also cheaper for the companies they argue. With this said, it is important to have in mind that social media enables to reach a wider audience but that brands must be aware of the risk of losing their exclusivity, as expert Voyer says.

With the benefit of reaching out to a larger number of users regardless of geographical location brings the opportunity of customers being able to collaborate with each other from all over the world (Füller et al., 2011). This is something that have not been mentioned by the companies but should be recognized and potentially be further capitalized on. New ideas can be invented through such a collaboration which the companies could benefit from by inserting these into the company and develop new products.

5.5.5 Enables relationship building between C2C and B2C

Even though that the empirical findings show that none of the companies explicitly say that they capitalized on the opportunity of enabling consumers to collaborate with each other regardless on their location, two companies mention that social media enables relationship building. Liu and Kop (2015) state that social media is an interactive communication channel which provides the participants with a relationship platform amongst the customers and the firm. This is something that is mentioned by Malagatti at S.T. Dupont. She acknowledges the potential with social media in order to create C2C relationship. This through cults such as cigar smokers which then could foster innovations. She mentions that the firm is currently setting up an online community for cigar smokers to both educate people as well as creating an experience where like-minded can share their thoughts and passion.

Furthermore, Malagatti at S.T. Dupont sees the benefit with increasing the B2C relationship by using social media. She mentions that by using social media channels they can contact a set of their VIP clients in order test new ideas and also to have a continuous dialogue with them. This is also acknowledged by Linnet at By Malene Birger as social media has enabled them to increase the level of engagement with their customers. This is aligned with what the literature state as a benefit, that social media is much more efficient when it comes to connecting with customers, in comparison with more traditional communication channels (Colliander & Dahlen, 2011). Social media is hence managed in a convenient way when communicating and updating the customers with relevant information (Kaplan & Haenlein, 2010).

Additionally, Bensoussan at Kering discussed about their current extensive investment in increasing their communication strategy in order to create a better dialogue between current and potential customers through digital solutions. This in turn could in the long-term perspective lead to enabling relationship building between B2C.

Two of the experts support and further elaborates on this benefit when using social media in the PD process. Expert François says that social media helps to grow a product together with the customers and if you “grow up” together a bound is created that will never disappear. In addition, expert Adriam Pali states that social media can benefit to create a stronger
engagement and a feeling of belonging. She expresses: “Involvement through social media is engaging and it can also convert a follower to an ambassador as the person says, “I have been approached by this brand and I am going to be vocal””. (Iony Adriam Pali, March 21, 2019).

The empirical findings in this section can hence be strongly connected to the cognitive benefits with customer involvement mentioned in section 5.3.1. Meaning that, when building a strong relationship, a positive feeling in the customer is developed since relationship building creates an engagement and a feeling of belonging which in turn is seen as cognitive benefit.

5.5.6 Higher probability that the “knowledge stock” in the company increases

Through letting a larger number of customers contribute to a co-creation opportunity the “knowledge stock” in the company increases. (Liu & Kop, 2015). None of the companies mention this as a benefit. However, it can be discussed that through following and monitoring customer needs on social media, the “knowledge stock” unconsciously increases. Meaning that even if the companies do not explicitly express this benefit it can be argued that one of the fundamental reasons why they use social media is due to this benefit. However, all accessible information does not necessarily lead to an increased knowledge stock which creates added value for the company and its customers. In addition, as recently mentioned, Liu and Kop (2015) state that an outcome of that the knowledge stock increases is that it can increase the probability that the knowledge gathered will represent the customer population. Companies must though be cautious with correctly assessing how representative the knowledge is, which is addressed as a challenge in the section about unbalanced target group orientation (see section 5.4.2) by Davis at Ted Baker.

5.5.7 Customers who are a member of social media communities are to a high extent willing to provide with information and knowledge to the innovation process

Further, Füller et al. (2008) state that customers who are a member of social media communities are to a high extent willing to provide with information and knowledge to the innovation process. They mean that these customers have a positive image of the brand and feel an interest in participating in the PD process if allowed to. However, as earlier mentioned in section 5.1, the empirical findings show that customers are mainly having the role as a resource which means that they are passive and involved in an indirect way (Nambisan, 2002). This implies that social media is mainly serving as an informal source of information in the PD process. Meaning that customers do not to a high extent participate in a formal and active way in the PD process through social media. The empirical findings show though that none of the companies face any challenges with creating incentives to involve the customers in the process as they want to be a part of the brand identity (see section 5.2.2). It can hence be argued that if customers would be invited actively through social media to create added value together, brands might possess the advantage of having highly engaged customers. However, as expert François argues, the luxury brands need to assess how to overcome the cultural issue for luxury brands using social media. With that said, brands need to make sure to transmit this offline customer commitment and engagement to the social media sphere.

5.6 Industry characteristics affecting customer involvement

Given the complexity of the industry, four industry specific characteristics which affect customer involvement have been identified. As mentioned in the beginning of the analysis in section 5.2, the empirical findings have shown that customer involvement and customer involvement in the social media are not mutually exclusive. Customer involvement in the PD
process creates the foundation for utilizing social media as a way to involve the customer. Meaning that social media is a method to involve the customers. Hence, the industry specific characteristics below are presented in an intertwined approach since they are not mutually exclusive and there is no literature separating them apart since they are specific for this industry. Table 5.5 presents the identified industry characteristics which are described and confirmed by the companies and the experts.

<table>
<thead>
<tr>
<th>Identified Industry Characteristics</th>
<th>Described by Companies &amp; Experts</th>
<th>Confirmed by Companies &amp; Experts</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Being trendsetters</strong></td>
<td>Brands do not want to involve the consumer too much as it is their baby and as the luxury brands are the trendsetters, not the followers. - S.T. Dupont</td>
<td>S.T. Dupont Swarovski J.Lindeberg By Malene Birger Kering Company X Expert Olivier Expert François</td>
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<tr>
<td></td>
<td>“Normally you do not need customers or influencers for feedback, because it is you that create the trends.” - Christelle Sergent at Swarovski, March 20, 2019</td>
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<td></td>
<td>Luxury customers do not want to be too much involved, they want to be surprised. - J.Lindeberg</td>
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<td></td>
<td>It is easier for a fast fashion company to involve customers as they are following the trends set by the luxury goods companies and are hence adapting to the current needs and not the futures. - By Malene Birger</td>
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<td></td>
<td>The luxury brands are still heavily dependent on one person’s mind. - By Malene Birger</td>
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<td></td>
<td>Cautious to bring in the consumer too much in the earlier phases of the process even in the future as it is the work of the design team. - Kering</td>
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<td></td>
<td>The luxury goods industry is a trendsetter and therefore brands should not ask customers what they prefer instead the brands should propose and create goods that will be desirable. - Company X</td>
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<td></td>
<td>Luxury brands think from an “offer strategy” point of view and not from a “demand strategy” point of view. - Expert Olivier</td>
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<td></td>
<td>A challenge for luxury goods companies is if they should follow the trend or to be the one that launch the trend. - Expert François</td>
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<tr>
<td><strong>Brand value &amp; DNA</strong></td>
<td>“We all have our own DNA’s. We need to make sure that we are speaking in our language to the consumers and not in another brand’s language. That is very important.” - Megha Malagatti at S.T. Dupont March 19, 2019</td>
<td>S.T. Dupont Swarovski By Malene Birger Kering Company X Expert Olivier Expert Voyer Expert Adriam Pali</td>
</tr>
<tr>
<td></td>
<td>“It is just that luxury has its own DNA and it has to fit with it” - Christelle Sergent at Swarovski, March 20, 2019</td>
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<tr>
<td><strong>Risk of losing exclusivity</strong></td>
<td>Luxury brands, including S.T. Dupont, face the challenge of being too accessible but also too accessible and in the same time being different, rare and modern.</td>
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<td></td>
<td>- S.T. Dupont</td>
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<td></td>
<td>In general, the image of a luxury goods brand is often associated with something closed, mysterious and magic.</td>
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<td></td>
<td>- Company X</td>
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<td></td>
<td>All of the experts state that the luxury companies risk losing their exclusivity by being present on and using social media.</td>
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<td></td>
<td>“Social media brings the masses in to a world that used to be exclusive. On one hand it is good because it creates a wider audience but on the other end you risk losing exclusivity.”</td>
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<td></td>
<td>- Expert Benjamin Voyer, March 27, 2019</td>
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<td><strong>Long product development process</strong></td>
<td>The process is very long, it takes 18 months to go through it. Swarovski has invented a parallel process to better catch the trends for a few products.</td>
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<tr>
<td></td>
<td>- Swarovski</td>
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<td>A great challenge with involving the customer in the PD process is due to the long production cycle. Consumers do not know what they want 18 months ahead.</td>
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<td></td>
<td>- J.Lindeberg</td>
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<td></td>
<td>As a luxury brand it is hard to involve the customers early on in the process as customers are not aware of what they want 12 months ahead.</td>
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<td></td>
<td>- By Malene Birger</td>
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<tr>
<td></td>
<td>Swarovski J.Lindeberg By Malene Birger Ted Baker Kering Expert Voyer</td>
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</table>
Need to be much more reactive and shorten the lead time even though they are a luxury brand and not a fast fashion brand. - Ted Baker

Constantly trying to make the PD process shorter in order to make it more efficient and meet market demands. - Kering

Luxury brands must, in the future, develop the skill of being more agile and as a consequence create a shorter PD process. - Expert Voyer

**Table 5.5. Empirically identified industry characteristics**

5.6.1 Being trendsetters

Luxury goods are desirable objects that bring pleasure. Hence, luxuriousness is based on people’s desire for it. (Berry, 1994). The empirical findings show that six of the seven interviewed companies (S.T. Dupont, Swarovski, J.Lindeberg, By Malene Birger, Kering and Company X) and two experts (Voyer and Olivié) discuss this subject. Malagatti at S.T. Dupont states that luxury brands do not want to involve the customers too much as it is “their baby” and as the luxury brands are the trendsetters and not the followers. Likewise, does the respondent at Company X argues, that the luxury goods industry is a trendsetter and therefore brands should not ask customers what they prefer, instead the brands should propose and create goods that will be desirable. This certain conception of luxury brands being trendsetters, therefore affects the degree of customer involvement. Meaning that it is important for the luxury goods companies to get customers’ input at the right times. Otherwise it can have an overall negative impact on the brand since the customers’ perception then might be that the company follows the trend rather than being the one who launches the trend, as expert François says. This might be the reason for why luxury goods companies underutilize active co-development with their customers in the earlier stages of the PD process since, what Werner at J.Lindeberg says, that the customers want to be surprised. As Company X states, luxury goods products are seldom a functional product it is rather an emotional product. This is aligned with the literature that states that a great cornerstone of luxury goods is that they create an emotional value (Becker et al., 2018). As luxury is a multidimensional construct that goes beyond the product itself, it is important to understand the holistic view of the brand experience. It is about “combining brand characteristics and marketing with the less controllable images of the brand in the consumption context, and how the brand is a part of consumers’ lives” (Turunen, 2018, p 109). The respondent at Company X says:

“[…] I do not think that customers would like a brand to say, “what would you like to have as a new design?” Because it is so emotional, so it is difficult to say, from the client side, what will trigger emotions to me[…]” (Respondent at Company X, May 1, 2019)

Hence, the reluctance to involve the customer might come from both the companies and the customers. Consequently, this might be the reason why luxury companies are highly dependent on one creative mind, the Creative Director, who sets the trend. Linnet at By Malene Birger highlights this matter and says that an industry specific challenge with involving the customers in the PD process is that the Creative Director is commonly in charge of the whole collection’s design, consequently leading to that companies in the industry might exclude the customers and other departments in the process.
Expert Olivié summarizes this industry specific challenge about customer involvement in a concise way. He argues that brands think from an “offer strategy” point of view and not from a “demand strategy” point of view. This conception, as above mentioned, affects the degree of customer involvement which in turn affects the utilization of social media as a tool for customer involvement as they are not mutually exclusive.

However, the literature states that contemporary luxury consumers are creating a need for brands to put a greater emphasis on a brand’s story, narrative and values as the consumers want to be a part of the experience and feel a sense of belonging (Deloitte, 2016; Sivanathan & Pettit, 2010). By implementing new digital and innovative instruments, such as social media (Okonkwo, 2009; Donaldson, 2011), it can enable to catch the consumer’s attention. These tools contribute to the product development process and strengthen the brand of the company as it increases the level of customer engagement and interest in the brand (Giacosa, 2016). An interesting empirical finding shows that Kering are currently trying to address the industry specific challenge of involving the customer. This through developing a new digital initiative which involves the customer but without jeopardizing the risk of losing their exclusivity and the image of them being a trendsetter. Bensoussan at Kering identifies a great potential for involving customers in the launch phase utilizing social media. Bensoussan reveals that at the Jewelry and Watches Division they are currently working with the brands to launch a new way to create a higher engagement rate with their customers through social media. By letting the customer create their digital content, using the products, which Kering then takes the customers’ stories and posts, to repost it through Kering’s digital channels. This will hence give the customer the role as a user, being directly involved in the digital content making process in the launch phase of the products. As a result, they will create an experience which makes the customer get a sense of belonging and increase the level of customer engagement. Consequently, making them contribute to the product development process and being an active customer in the PD process (Deloitte, 2016; Sivanathan & Pettit, 2010; Okonkwo, 2009; Donaldson, 2011).

5.6.2 Brand Value & DNA

To further elaborate on luxury brands being trendsetters, it is essential to address the importance of the fact that customers of luxury goods need to be impressed by the philosophy, identity and culture of the brand. Thus, branding is a very important attribute within the luxury goods industry (Kapferer & Bastien 2009). The empirical findings show that five companies and one expert bring up this matter. To illustrate, Bensoussan at Kering and the respondent at Company X argue that luxury brands always need to integrate the brand value and the DNA when developing products. Consequently, it makes it more complex to involve the customers in the PD process states Bensoussan. This is aligned with the literature which highlights the essence of incorporating the brands values and philosophy together with the product development process and the customer interactions. Thus, it will preserve customer loyalty in a sustainable way. (Bresciani et al., 2013).

Furthermore, Bourdieu (1977) and Kapferer (2008) argue that luxury brands must manifest heritage and identity (reputation, values and trust), when innovating, to ensure authenticity and sustainability (Giacosa, 2016). Accordingly, Expert Olivié brings up the great essence that luxury brands must have a dynamical but positive tension between heritage and innovation, something that also Malagatti at S.T. Dupont and the respondent at Company X talk about. This is a further challenge when it comes to integrating customers through social media in the PD process. Luxury brands hence need to take these aspects into account even in the digital
space. As a result, brands need to execute a delicate balance between these two, which is also something that expert Adriam Pali highlights.

Moreover, Koo and Rha (2012) and Woodside and Ko (2013) state that one of the most crucial factors in the value co-creation process between a brand and its customers is when the customer actively decides to interact with the brand as this is when learning takes place. In line with the luxury industry, the brands have always valued to establish strong relationships with their customers as it is the cornerstone for long lasting success (Choi et al., 2014; Choi et al., 2015). Luxury brands therefore have to put a lot of emphasis to create novel interactions and innovative experiences through co-creation encounter with their customers (Lee et al., 2015; Cho et al., 2015). However, adoption to the individual person requires to build a very close relationship between the brand and the individual argues expert Voyer. Expert Olivié claims that the luxury goods companies have always involved customers, but in a more traditional way, through tailoring. The empirical data show that the companies express that it is often more common for other industries, such as the FMCG, to involve customers in new ways like through social media. It is not yet perceived as acceptable in the luxury industry to involve customers in such way, means Olivié. The luxury goods companies might risk losing their exclusivity (see section 5.6.3) and, which Bensoussan at Kering mentions, it is complex to transmit the brand DNA and values into social media channels in comparison to other industries. Also, expert Voyer expresses that it is highly crucial that luxury brands find a way to build a strong and personal relationship with their customers, especially with the millennials as they are less brand loyal than the previous generations.

To summarize, the literature demonstrates that brands need to be reactive, attentive and adaptable (Bain & Co, 2018; Turunen, 2018; Kapferer, 2012), which the empirical findings support. The investigated companies are adapting to the digital landscape and are to some extent involving the customers both online and offline. Giacosa (2016) stresses that customers’ needs should be taken into account when developing new products within the luxury goods industry, as it enables the customer to feel a sense of belonging. However, as expert Voyer argues, it is of great importance to assess what kind of brand one possesses and if it makes sense involving the customers in the PD process. Companies, especially luxury goods companies, need to have a long-term vision and understand its heritage. If not, they run the risk of destroying their brand (Neuman, 1997; Kapferer, 2008). In addition, both the empirical result and the literature argue that it is of importance that luxury goods companies must incorporate the brand values throughout the PD process and the customer interactions (Bain & Co, 2018; Turunen, 2018; Kapferer, 2012; Bresciani et al., 2013). Also, if deciding to involve the customers in the PD process, regardless of phase, it is of great essence that the quality delivered will be coherent with the DNA of the brand. Otherwise, it might negatively impact the customer’s perception of the brand and the product. (Giacosa, 2011).

5.6.3 Risk of losing exclusivity

To begin with, the literature states that luxury is something that is more than a necessity (Mühlmann, 1975; Bearden & Etzel, 1982; Reith & Meyer, 2003; Sombart, 1922). What distinct necessity from luxury is related to availability and exclusivity of resources. Necessities can hence be accessible and possessed by anyone whereas luxury goods are only available exclusively to a set of consumers or under exceptional occasions (Bearden & Etzel, 1982; Berthon et al., 2009; Berry, 1994). Moreover, Kapferer (2012) argues that the internet is stated
to be the most democratic medium in the world as it enables access to anyone and anywhere. Consequently, causing the greatest challenge that the luxury industry has ever met as exclusivity is strongly connected with the brand value and DNA of a luxury brand. This matter is supported by the empirical findings where two companies and all of the experts brings up this challenge. Malagatti at S.T. Dupont says that social media has made that luxury brands face the challenge of being too accessible and at the same time being different, rare and modern. Further, expert Voyer says that “Social media brings the masses in to a world that used to be exclusive. On one hand it is good because it creates a wider audience but on the other end you risk losing exclusivity.” (Benjamin Voyer, March 27, 2019). Luxury brands have therefore become available to almost anyone. Arguably, the rise of internet imposes a paradox for the luxury goods industry, maintaining exclusivity and the brand DNA while still being widely accessible (Turunen, 2018). There is hence a delicate balance between exclusivity and accessibility which in turn affects the possibility to involve customers through social media.

5.6.4 Long product development process

Five companies and one expert express that a challenge within the luxury industry is the long product development process which negatively impacts the possibility to involve customers, especially through social media. Thus, as social media impacts the level of speed to market. Brands, even luxury ones, need to be much more reactive and shorten the lead time states Davis at Ted Baker. The interviewees at J.Lindeberg and By Malene Birger claim that customer involvement in the earlier phases is a challenge due to the reason that the customers do not know what they want 1-2 years ahead, as this is the general PD cycle time in the industry.

The empirical findings show that Kering, By Malene Birger and Swarovski are constantly striving to shorten the PD process to make it more efficient and meet the market demands. In addition, at Swarovski they made an attempt to address this challenge by establishing a parallel process to the PD process. This to better and faster catch the trends for a few products. Consequently, it might be easier to involve customers and utilize social media in such a process since it will be easier for the companies to react to customers’ needs and it is easier for the customers to visualize and express what they want in the close future.
6.1 Conclusions

This chapter firstly presents the conclusions of the study with the aim to answer the research questions. Secondly, managerial implications is discussed followed by a discussion of the limitations of the study. The chapter then ends with suggestions for future research.

6.1 Answering the research questions

The aim of this study has been to investigate how social media is used in the product development process in the luxury goods industry. Based on this, the following main research question was formulated:

- How is social media used as a tool to facilitate customer involvement in the product development process in luxury goods companies?

In addition, three sub-questions were formulated in order to broaden the understanding and to better analyze the main research question:

- How is customer involvement utilized in the product development process?
- What are the benefits and challenges of using customer involvement in the PD process in luxury goods companies?
- What are the benefits and challenges of using customer involvement through social media in the PD process in luxury goods companies?

All of the seven investigated companies in this study express that they have a structured PD process going from idea to launch. The formalized phases mentioned by four of the companies are relatively aligned with the general phases presented in theory (see section 2.1). The phases have different names but covers the same actions to a great extent. Hence, the PD process explained in theory is relatively accurate with how the interviewed luxury goods companies have organized their processes. Furthermore, it has been discussed that by having a structured PD process and multidisciplinary teams it can enable an easier way to involve customers in the PD process which in turn also can open up the possibilities to use social media in a more integrated and beneficial way.

The literature states that an increasing number of companies are actively involving their customers in the product development process. The gathered empirical findings relatively support this as customer involvement is used to some extent in the product development process. When not taking into account customer involvement through social media, it can be concluded that customer involvement is mainly integrated during the phases validation and launch. This implies that the customer takes the role as a user (testing the product in a direct way). In addition, two out of seven companies explicitly mentioned that they involve customers in the idea phase and post launch. Consequently, the customer takes the role as a resource (providing with information in an indirect way) as the companies collect market intelligence with the aim to extract customer preferences and demands from public sources that are available.

In conclusion, when taking into account social media as a tool for customer involvement it has been shown that social media is mainly serving as an informal source of information in the PD process for six out of the seven interviewed companies. Hence, social media has not yet to a high extent become a formal part of the product development processes in luxury goods
companies and the customers are mainly being indirectly involved. Consequently, information generated through social media channels appears to play a partial role in obtaining customers' insights that are then being implemented in product development in the idea phase and for evaluation after the launch phase (post launch). Thus, social media has influenced all the companies to involve its customers in these phases. When not using social media, only two companies express that they involve customers in these phases. In essence, social media has increased the degree of customer involvement in the luxury goods industry. Additionally, the findings reveal that two of the interviewed companies, S.T. Dupont and Kering, are to some degree utilizing social media as a formal source to actively involve their customers in the PD process, this in the phases development, validation and launch. In addition, Kering is currently developing a “new” way to increase customer involvement through social media. This by letting the customer to be directly involved in the digital content making process in the launch phase. Thus, this might be a beneficial way to use social media to facilitate customer involvement in the product development process.

In addition, as discussed in the analysis chapter, the utilization of social media in the PD process is also used in the launch phase as a communication and marketing tool by all of the companies, this often through using influencers. A question is hence to what extent the use of influencers can be defined as formal and active and/or informal and passive utilization of social media in the launch phase? Firstly, influencers can be seen as only a marketing tool. Secondly, influencers can be perceived as a method to create the feeling that they do directly take into account the customer’s voice in the PD process even if influencers might not per se be a customer. This has been discussed as beneficial for the luxury goods industry, since it can be easier to co-create with celebrities and influencers as it better aligns with the notion of exclusivity rather than being directly involved with the masses. Thirdly, as long as the influencers are a part of developing a product they can be seen as “potential” customers, meaning that the influencers are a part of the customer segment even if they de facto do not buy the products. Consequently, social media would then be a formal source of information if influencer would be perceived as a customer, since they would be actively involved in the PD process.

Furthermore, the main perceived challenges and benefits with customer involvement and customer involvement through social media are presented below together with identified industry characteristics (see Table 6.1). Important to highlight is that customer involvement and the utilization of social media as a tool for customer involvement are not mutually exclusive, implicating that both of these two are highly influenced by the identified industry characteristics.

<table>
<thead>
<tr>
<th>Customer involvement</th>
<th>Social media</th>
<th>Industry characteristics</th>
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<tbody>
<tr>
<td><strong>Challenges</strong></td>
<td><strong>Challenges</strong></td>
<td><strong>Being trendsetters</strong></td>
</tr>
<tr>
<td>Cost when creating</td>
<td>Lack of effective evaluation tool and infrastructure</td>
<td><strong>Brand Value &amp; DNA</strong></td>
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<tr>
<td>a co-creation process</td>
<td>Secrecy issues and intellectual property difficulties</td>
<td><strong>Risk of losing exclusivity</strong></td>
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<tr>
<td><strong>Benefits</strong></td>
<td>Can be hard for customers to visualize without an accurate prototype</td>
<td><strong>Long product development process</strong></td>
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<td>Cognitive benefits</td>
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<td>for customers</td>
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By only looking at the challenges and benefits of using customer involvement in the PD process, the result reveals relatively low confirmation of the existing literature described challenges and a relatively high confirmation of the benefits. Hence, the result can implicate that the companies perceive that the benefits outweigh the challenges. This is also aligned with what the literature says, that the role of customer participation in the development of products have gained significant strength over the recent years, which can imply that the benefits received from it is greater than the challenges. To clarify, this is when excluding the industry specific characteristics which have been identified to greatly influence the degree of customer involvement. Hence, this result can originate from that the challenges described in the theory are general challenges, not depending on a given industry and/or due to the reasoning regarding mutual exclusivity of social media and customer involvement.

In regard to the challenges and benefits with using social media, the perceived challenges may be the reasons for why social media is not utilized in a formal way to a greater extent. Firstly, it can be concluded that all of the interviewed companies perceive that lack of an effective evaluation tool and infrastructure is a challenge. The companies express that they have not yet found the right social media tool. However, one company and one expert highlight that it is not a technical issue, but rather a cultural issue within the industry since it has to fit with the brand DNA. Secondly, secrecy issues and intellectual property rights difficulties are brought up by five of the companies. The empirical findings show that legal problems regarding intellectual properties may occur when exploiting customers’ inputs on social media channels. Also, by using social media to integrate the customer in the PD process can lead to competitors getting hold of secret information. Thirdly, five companies bring up that it can be difficult for customers to visualize without an accurate prototype and give accurate feedback before a prototype is made. The empirical findings reveal that social media makes it even harder for customers to understand the product since they cannot use all the senses.

Furthermore, the result shows that there are two distinct benefits with using social media in the PD process. Firstly, compared to traditional tools, four companies mention that social media enables a higher level of efficiency of information collection. The empirical findings show that a challenge with customer involvement in general is that using focus groups is an expensive method. Hence, by integrating social media it could potentially decrease this cost. Secondly, three companies acknowledge that social media enables the great benefit of reaching out to customers, regardless of geographical location.

It can be concluded that the four industry characteristics highly influence the use of customer involvement and consequently the utilization of social media in the PD process. Firstly, six of the companies perceive that firms in the luxury goods industry are trendsetters and are highly dependent on one creative mind, which is also confirmed by two experts as an industry trait.
Also, it has been noted that the luxury goods industry is very secretive since the brands do not want to reveal what they are developing. Consequently, the characteristic of being a trendsetter, decreases the compliance of involving the customer in the PD process as it could rather harm the brand since it might lose its legitimacy of being a trendsetter among its stakeholders. The reluctance to involve the customers too much can both come from the company and the customers. Secondly, the importance of incorporating brand value and DNA is evident by five companies and three experts. It has been a recurring matter of subject that the company’s brand plays a significant role. In regard to challenges with utilizing social media through customer involvement it can be concluded that the challenges Lack of effective evaluation tool and infrastructure and Can be hard for customers to visualize without an accurate prototype can be a consequence of brand value and DNA. In addition, strong relationship building is always inherited in the brand value and DNA. Hence, expert Voyer expresses that it is highly crucial that luxury brands find a way to build a strong and personal relationship with their customers, especially with the millennials as they are less brand loyal than the previous generations. However, how to incorporate brand value and DNA when developing new products and preserving strong relationship with the customers must be carefully addressed. Consequently, expert Voyer stresses that it is of great importance to assess what kind of brand one possesses and if it makes sense involving the customers in the PD process. Companies, especially luxury goods companies, need to have a long-term vision and understand its heritage. If not, they run the risk of destroying their brand. This is also aligned with the third characteristic, mentioned by two companies but all experts, that companies acknowledge that customer involvement and usage of social media can intrude on their perception of being exclusive. Expert Voyer says that “social media brings the masses in to a world that used to be exclusive. On one hand it is good because it creates a wider audience but on the other end you risk losing exclusivity.” (Benjamin Voyer, March 27, 2019). The identified challenge with secrecy issues and intellectual property difficulties can be a consequence of this strong industry characteristic. The last and fourth identified characteristic is, in comparison to the competing FMCG industry, the long PD process, that is apparent in the luxury goods industry. The long PD process is directly impacting the ability of involving the customer in the process in a formal way in the earlier phases. The customers hence have hard to visualize and know what they will desire 1-2 years ahead. Consequently, if the desire to involve the customer in the earlier phases, regardless of it being through social media or conventional methods, companies need to shorten the lead times. This is also in align with Bain & Company’s (2018) recommendation to shorten the lead times, enabling luxury goods companies to capitalize on the predicted market growth.

As mentioned in the introduction, luxury goods companies need to switch to a more demand driven approach with faster lead times and let the customer be more involved in order to capitalize on future growth (Bain & Company, 2018). It can be concluded that companies are starting to rethink their strategies. However, given the complexity of the industry it has been shown that companies are, for now, limited by their industry specific characteristics. Hence, these characteristics must be taken into account, together with the general challenges and benefits if wanting to get the customer more involved in the PD process. This especially if they are to successfully utilize social media as a tool to facilitate customer involvement in the product development process.

6.2 Managerial implications

Utilizing social media as a tool for customer involvement in the product development process within luxury goods companies should be done with cautiousness. For successful utilization and implementation some factors should therefore be considered:
• Understanding the needs, demands and behaviors of current but also potential customers. It is therefore important to take into account the millennials, gen Z and gen Y as they will constitute 55% of the market by 2025, hence delivering 130% of the total estimated growth. However, it is of essence to incorporate these findings together with the brand’s core values and DNA in order to build a sustainable strategy. Thus, managers need, more than ever before, find an impeccable balance between innovation and heritage and conveying this in a coherent way in every action they take. Meaning, their overall strategy, product development process, customer involvement, communication online and offline etc. In addition, all actions need to be coherent throughout both online and offline channels. Furthermore, it is of great essence that brands do tackle these challenges and seize the opportunities in order to sustain market shares in both a short-term and long-term aspect and consequently capturing the estimated growth of the market by 2025.

• By having a structured PD process and using multidisciplinary and innovation teams can enable to involve customers in a more efficient and successful way. The reason of this is because it forces departments to work together which ensures that valuable information will be better capitalized. Consequently, it can increase the likelihood of successful utilization of social media as the information will be better diffused within the company.

• Possess an extensive understanding of the PD process and what type of customer involvement (indirect or direct) in the PD process would contribute to the greatest value for a given product. Also, where social media could then be used as an effective tool, and if it would then be used in an informal or formal way.

• Continuing to shorten the PD process in order to meet the demands of the customers but also to increase the likelihood of customer involvement in the earlier phases if desired.

• VVIP, very VIP clients. By only involving such clients could enable brands to hold on to their exclusivity aspect even if it is through social media. Hence, if only a certain group of customers will be particularly selected and involved, these customers would then continue to feel the notion of exclusivity. Consequently, it would benefit the company since they would then preserve this cornerstone while still obtaining customer feedback.

• A need of creating a certain social media tool that is purely customized for the luxury goods industry and the specific brand is of essence. The tool needs to possess and entail the right culture, i.e. conveying the luxury experience from the beginning to the end. This is of great importance if the aim is to involve customers to a higher extent through social media in order to balance innovation and heritage and still being true to the brand values and DNA. However, it is important to highlight that even though a certain tool would be developed for the luxury goods industry to apply, specific adjustments would be needed for the specific brand in order to incorporate the brand values so that it is aligned with the actions and experiences the brand is conveying offline and on other online platforms. Hence, it needs to be consistent in order to create authenticity and long-term growth. No general and absolute tool
should be developed for all luxury brands as all of them are unique and it is of importance to keep true to its brands values.

With this being said, even though there are several challenges with involving the customers through social media in the PD process, there are also great opportunities if companies succeed with capitalizing it in a correct way. Through this research, we therefore hope to have contributed to some insightful findings which can guide managers when aspiring to catch the promising market growths of the future.

6.3 Limitations of the study

The findings of this study have to be seen in the light of some limitations. Firstly, three of the interviewed companies did not describe their PD process in a detailed way. Consequently, it made it hard for the researchers to do a further analysis and understand exactly in what phases the customer are involved. Secondly, when conducting the interviews, the researchers sometimes found it hard to distinguish when the interviewee talked about customer involvement in general and when he or she talked about customer involvement through social media. In the literature review an attempt was made to separate them apart, however in reality they are not mutually exclusive which became evident when interviewing the respondent. Thirdly, the majority of the interviewed companies brought up more benefits than challenges with customer involvement. By all means this can be the case, but it is important to be critical and understand that the respondents’ answers might have been skewed. Hence, that the respondents wanted to highlight the benefits as it would display the companies in a favorable manner. Fourthly, the literature about customer involvement in the PD process and the different customer roles customers are written in 2002. It can hence be discussed if this literature is starting to be outdated. Especially in regard to using social media as a tool to involve customers in the PD process since social media was used to a very small extent in 2002. Lastly, the study only investigates brands within apparels, accessories, jewelry and watches. Thus, it excludes cosmetics brands. During the interviews two of the experts mentioned that customer involvement and customer involvement through social media is used to a greater extent within luxury cosmetic. The findings in this research are therefore limited to draw any certain conclusion about the whole luxury goods industry.

6.4 Future research

The utilization of social media in product development is still a relatively unexplored and new topic in both the academic and business field. The authors have by this research attempted to generate an understanding of how social media is used to involve customers in the product development in the luxury goods industry. However, for future research about this topic, more qualitative and quantitative research should be conducted in order to identify differences and similarities in the utilization of social media between firms. A further suggestion is to include brands from all categories within the luxury goods segment in order to analyze similarities and differences between these segments. Also, as this research only covers the personal luxury goods segment, it is suggested that further research should be conducted in other segments within the luxury industry.

Furthermore, since several of the interviewed companies expressed that they have not yet found the right social media tool to involve the customers in the PD process, it can be of interest to research what specific attributes such a tool should entail. Also, it could be valuable to get a deeper understanding of what strategies that are effective in utilizing social media for product
development. It could hence be interesting to identify and conduct a qualitative study of one or several “best practice firms” that use social media to a great extent in their PD process.
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Opportunities of Social Media. Business Horizons.


8. Appendix

Appendix A: Interview Guides

Interview Guide for Companies

Background information
- How many years have you been at the company?
- Can you describe your current position at the company?
- How much do you work with product development and innovation?
- Who are the company’s customers?

The product development process and customer involvement
- Can you describe the company’s product development process? How do you go from idea generation to launch?
- How do you communicate with your customers to assure that your new products match their needs and demands? Where does the information come from?
- Do you involve customers in the product development process? How?
- What incentives do you use to get customers to interact with you?
- How do you choose your customers to collaborate with?
- What benefits do you see with involving customers in the product development process?
- What challenges do you see with involving customers in the product development process?

Social media
- In general, what social media channels are your company currently using?
- Do you use social media to involve customers (indirectly or directly) in the product development process?
  - If yes - Why and How do you use social media in the product development process? In what stage of the product development process?
  - If no - for what reasons?
- How would you describe the possibilities/benefits that social media offers to product development?
- What challenges do you see by using social media within product development to interact with customers?
- Where in the product development process do you see the most potential in using social media?
● What is your vision for the future of the luxury goods industry regarding the social media’s influence on the product development and what role do you think that the customer will have?

● Is there anything else you would like to add?

Interview Guide for Industry Experts

Background information
● What is your current position?
● How many years have you worked within the luxury goods industry?
● Who are your clients?

Product development, customer involvement and social media
● What are the current major shifting trends in the luxury goods industry regarding social media, innovation and customer involvement that you have identified?

● Have you identified an increasing demand from brands/companies to use social media and/or customer involvement as a tool in their product development process?
  ○ Do companies strive to address individual consumers’ unique needs? How?

● Where in the process do you currently see that customers are being involved?

● Where do you see a future potential in involving customers? Why?

● What are the main challenges for the luxury goods industry consumer involvement in the product development process according to you?

● What are the biggest opportunities in involving the customers?

● How do you think that luxury goods companies can interpret customer aspirations to reinvent offerings while staying true to their own brand identities and legacies?

● Compared with the FMCG industry and the luxury goods industry, what are the biggest differentiations when it comes to customer involvement in the product development process?

● Lastly, what is your vision for the future of the luxury goods industry regarding the social media’s influence on the product development and what role do you think that the customer will have?

● Is there anything else you would like to add?
Appendix B: E-mails

E-mail to Companies

Dear XX,

We are two students from the School of Business, Economic, and Law at the University of Gothenburg, Sweden, studying the MSc. in Innovation and Industrial Management. We are currently writing our master thesis and we would like to interview you!

We are investigating the impact that social media has on the product development process. This since the technology development is changing which impacts the competitive landscape and how companies can interact with their customers. As a consequence, more companies are using open innovation and customer collaboration in order to launch new products which are desirable out on the market. Social media has then become a useful tool in this process, lessening the gap between customers and companies. Our aim is to understand why and how companies interact with their customers in the product development through social media.

In addition, our aim is to target the luxury goods industry as the industry is continuously growing worldwide. Therefore, we are reaching out to you since we think that XX is an innovative company within the luxury goods industry. Due to this we would really like to interview you to understand how XX interact with your customers through social media in the product development process. We hope that you find this interesting and would like to participate in an interview and contribute to the innovation research field. It would truly be an honor!

Please get back to us with a time and date if you find this interesting, or if you know someone else that can be of value for us to talk with. Do not hesitate to ask if you want to know more about the study.

Looking forward to your answer!

Best regards,
XX
**E-mail to Experts**

Dear XX,

My name is XX, and I am studying a MSc in Innovation and Industrial Management at School of Business, Economics and Law at University of Gothenburg (Sweden). Together with my friend XX, we are writing our master thesis this spring. We are investigating the impact that open innovation, more specific social media, has on the product development process. This since the technology development is changing which impacts the competitive landscape and how companies can interact with their customers. As a consequence, more companies are using open innovation in order to launch new products which are desirable out on the market. Social media has then become a useful tool in this process, lessening the gap between customers and companies. In addition, we are targeting the luxury goods industry as the industry is continuously growing worldwide. The segment is though still rather limited in Sweden and we will therefore conduct the research in Paris, London and Copenhagen with the goal to contribute with valuable innovation findings to the luxury goods industry worldwide.

However, we find it of great essence to include expertise knowledge in the field. We would therefore like to interview you regarding this subject in order to get a deeper understanding of what trends you have identified in the industry regarding the usage of social media in the PD process, customer involvement and what challenges and opportunities you are seeing with this. The interview would take approximately 60 minutes. I hope that you find it interesting and would like to participate in our research. It would be of great value!

Thank you in advance!

Best regards,

XX