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Faculty of Business Administration

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Title of the Master's Thesis

How Can Co-Creation Change the FMCG Marketing

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YEAR: 2013

D e c l a r a t i o n o f A u t h e n t i c i t y

I hereby declare that the Master's Thesis presented herein is my own work, or fully and specifically acknowledged wherever adapted from other sources. This work has not been published or submitted elsewhere for the requirement of a degree programme.

Prague, December 17, 2013

Signature

A c k n o w l e d g e m e n t s

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Abstract:

This thesis analyzes co-creation, a modern trend in marketing, and guides companies how to use co-creation to increase efficiency of their marketing practices. Co-creation is placed in the framework of digitalization, which is current megatrend in marketing influencing the traditional marketing methods. After deep analysis of current trends in marketing with focus on digitalization, the thesis emphasizes co-creation, describes the process of co-creation and applies it to an example of co-creation project of the brand Fa. It presents that co-creation project needs to be well planned and well executed as it can otherwise lead into brand dilution or the results would be different from company's objectives. In the end of the thesis, recommendations are deduced based on the concluded survey showing the further steps in Fa co-creation project as well as co-creation in general.

Key words:

Co-Creation, FMCG, marketing, Fa, Virality, eYeka

List of abbreviations

BC – Beauty Care

CI – Corporate Identity

CTR - Click-Through Rate

FMCG – Fast Moving Consumer Goods

HTML – HyperText Markup Language

KPI – Key Performance Indicator

MC – Marketing Communication

MM – Marketing Mix

NFC - Near Field Communication

PPC - Pay Per Click

PR – Public Relations

ROI – Return On Investment

S&P 500 - Standard & Poor's 500

SEO – Search Engine Optimization

SMB – Small and Medium sized Business sector

URL - Uniform resource locator

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Introduction

Background to the Subject-Matter

Hundreds of videos are watched on YouTube every minute, thousands of photos are uploaded to Flickr every hour, and millions of statuses are updated on Facebook every day. Digitalization is simply one of the most important megatrends in current society. People are dealing with digitalization and its both positive and negative impacts in their everyday life. They are using smartphones, tablets, smart-TVs and other electronic devices to access Internet websites, communicate on social networks or shop online every day during their working and leisure time, traveling to work or on their vacation.

It creates a huge challenge for marketing how to react on this megatrend. People tend to consume less marketing messages presented by traditional channels such as newspapers, magazines or radio and still more focus on digital channels such as social networks, smartphone apps and video sharing websites. Therefore, marketing departments need to find ways to communicate the message in a modern way, which will be attractive for digitalization influenced consumers. One of the most current ways is co-creation.

Co-Creation is a new trend of creating marketing content, where the company cooperates with consumer. It allows the company to create more relevant content as it contains the consumer's insight. However, as a new trend, it brings many questions and challenges so it is necessary that the co-creation activities are precisely planned and targeted so it will not be more detrimental than helpful.

This master thesis focuses on co-creation, its role in international marketing and the ways in which FMCG (Fast Moving Consumer Goods) companies can profit from co-creation. There are several reasons why I have decided to dedicate this thesis to co-creation. Firstly, as co-creation is very new trend and is not yet used by many companies, I see it necessary to have a source from which the companies can learn how to use co-creation efficiently. Secondly, thanks to my IT background, I can precisely evaluate the digital trends and their both technical and influential details. Finally, thanks to my internship at Henkel (Henkel AG & Co. KGaA), I was able to work on the first co-creation project in the company from its briefing to the evaluation of results.

Goals of the Thesis

The main research question of this thesis is to analyze how co-creation should be used in international marketing of FMCG companies. In order to answer my research question appropriately, I set down three objectives. The first of them is a deep analysis of current trends in marketing with focus on digitalization and especially co-creation. The second one is the creation of a guide explaining how co-creation should be applied to international marketing. The final objective would be to show the brand Fa how they should proceed with the co-creation projects to receive optimal results.

Fulfilment of these objectives would have a strong impact on digital strategies of FMCG companies, as they will get a source of information and tactics on how to deal with the current trend. Moreover, this thesis will especially help Henkel, as an analyzed co-creation campaign is its first project of this kind. Analysis in this work will help them know precisely, how they should deal with the co-creation project. From the theoretical perspective, this thesis can be used as a guide of current trends in marketing, influence of digitalization on marketing and mainly a useful factbook about co-creation as there are very limited sources in this field.

To follow accomplishment of the goals, the following three hypotheses are stipulated and verified in the thesis:

- I assume that co-creation makes traditional marketing more effective.
- I assume that co-creation process requires high involvement of a company.
- I assume that videos produced by Eyeka's creators have strong potential to become viral on social media and support the brand image of Fa.

To achieve these goals, I used several literature sources and interviews with experts. As the topic is very new, there is limited literature available. Therefore, I also used internet sources, which can best reflect all the updates in this rapidly improving trend. My own experience with the subject was also a valuable resource as I frequently dealt with co-creation during my internship at Henkel. Finally, I gained information from the survey, which I have performed.

Structure of the Thesis

This thesis consists of this Introduction, two theoretical and two practical chapters and a Conclusion as well as Appendices and Bibliography.

The first chapter describes traditional non-digital marketing, which is the base for the modern trends. The following chapter focuses on digitalization in marketing, which can be considered a megatrend, strongly influencing the traditional marketing scheme. The chapter defines important terms, which are analyzed in further parts of the thesis.

The third chapter focuses more in detail on co-creation as an important element of digitalization in marketing and on how co-creation can be used in marketing. This chapter also shows characteristics and specifics of analyzed companies, from both the side of clients and the side of creative agencies. It describes what these companies are doing, how they are different from their competitors and what their role in the co-creation process is. The last part analyses the co-creation project at Henkel, including the survey done by myself. Afterwards, it applies all the outcomes to the brand Fa and advises further steps in proceeding with co-creation not only in FMCG companies.

1 Traditional Non-Digital Marketing

This chapter introduces the basic practices of traditional marketing likewise the modern trends in marketing. The first part is dedicated to marketing mix as the most important companies' tool in procurement of the marketing and one of its four elements, marketing communication, is described in the second part. The third part focuses on the importance of brand management in marketing practices and the last part then elaborates a newly evolved aspect of brand management called ideation.

Marketing is relatively young discipline, which emerged at the beginning of the 20th century in the USA as a reaction to the industrialized developed economy, where the supply prevailed over the demand. Marketing can be defined as a complex of activities, whose goal is to anticipate, acquire and satisfy the needs of a customer while achieving the objectives of those, who apply them in a dynamic and challenging environment. (Jurášková, 2012, pp. 116-117; Zamazalová, 2010, p. 8)

As seen in Figure 1-1, there is the customer in the center of marketing activities. Therefore, companies' goal is to launch a product at the right time and place that would satisfy customer in that way he would be willing to pay the given price. This requires proper communication between the company and the customers in order the companies to know customers' needs and customers to know whether they are choosing the right product. These activities of companies oriented on target customers are realized through the so-called marketing mix, which is described in the following chapters. Traditionally, the marketing mix is composed of product, place, price and promotion but it can be enriched by other components with respect to specific target group and particular environment. The various environmental forces, which are difficult to predict and which can fluctuate, influence not only buyers' but also sellers' decisions on creating the right marketing mix. (Pride and Ferrell, 2007, pp. 4-5, 10)

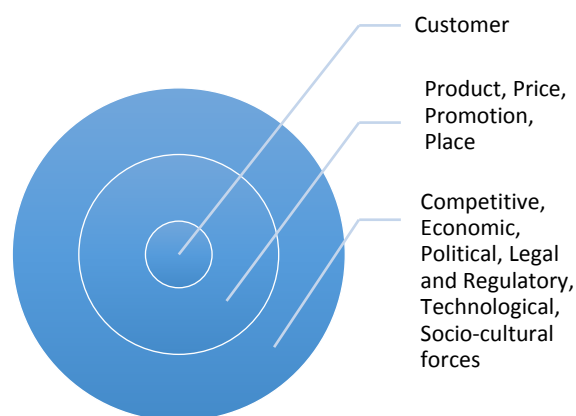


Figure 1-1: Components of Strategic Marketing

Source: Pride and Ferrell, 2007, p. 5

1.1 Marketing Mix

Within the marketing management process, each company has always needed to define its production policy that would best respond to the needs and wishes of the targeted market. Such set of controlled variables, which are used to influence demand for a specific product and consequently company's money return, is called Marketing Mix ("MM"). This term was for the first time used in 1964 by Neil H. Borden, professor of Harvard Business School in the USA. There is a plenty of definitions of MM, nevertheless the basic and widely broadened idea of the classical MM is composed of "four P's" – Product, Price, Place and Promotion. (Quelch and Jocz, 2008, pp. 830 – 831). Promotion in wider sense means Marketing communication and includes activities like advertisements, direct selling, public relations, press etc. (Prenzel, 2010, p. 32) Due to the fact that Marketing Communication is in the center of the MM as its key element, a separate chapter will be devoted to this matter.

The main elements of the MM are portrayed in Figure 1-2. All MM components must be mutually consistent, e.g. the level of price reflects the products quality, and every product requires different set of the MM, therefore it shall adapt to the specific situation.

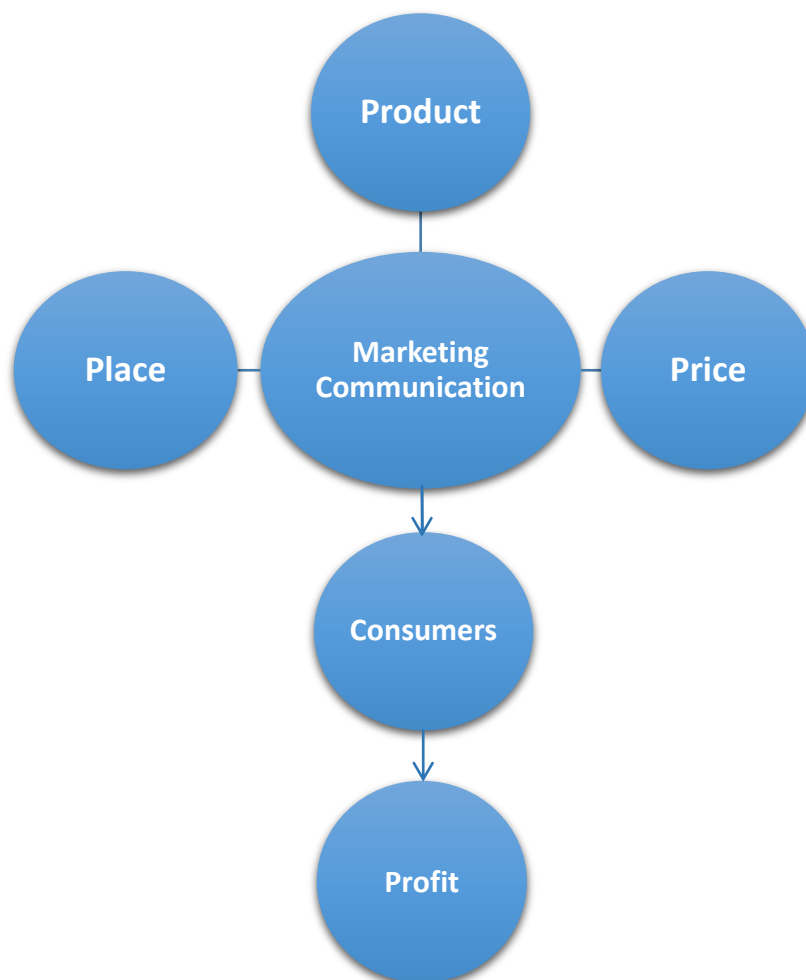


Figure 1-2: Main Elements of Marketing Mix
Source: Jakubikova, 2013, p. 190. Created by author

Product as a first and fundamental variable of the MM is basically mix of partial variables that shall materialize consumers' needs, requirements and expectations as well as serve to the required product's purpose. The product could be analyzed in a three-level model. The first level is the so-called "Core Product" that fulfils desires and expectations of consumers and solves their problems. The second level is presented by "Actual Product", which encompasses all characteristic properties of the product required by customers. These include quality, brand, design, package, shape of package, image etc. "Augmented Product" as the last level contains various services and benefits creating addition to the product such as guarantee, leasing, instructions or consultancy. (Jakubikova, 2013, pp. 202-203)

A case in point could be used FA Shower Gel. The core product is feeling fantastic. People want to feel fantastic, therefore, they take a shower and FA Shower Gel helps achieving this. The actual product is a gel with nice fresh fragrance, carrying ingredients and stimulating sensorial feelings in natural non-technical way. Furthermore, global brand is easily recognizable and makes people feel escaping to the beach, at least in their shower. Augmented product possibilities are then bulk sales in multipacks, option of on-line delivery, availability of pocketsize variants as well as fitting deodorants, liquid soaps and foam baths.

When deciding to launch a product, it is necessary to consider many product attributes and select right product attributes strategies. Among the most prominent are strategies of perfection of product properties, of package choice, of brand, of image, of quality or of services and guarantees. The strategy of improving product qualities helps the company to build its image of progressiveness and to acquire loyal customers fancying good-quality products. Having a good strategy of package choice and thus following the modern trends in the packaging is a key of product's success as the package attracts customers first and influences its decision-making. Another important pillar of marketing is having a good brand name, as the brand makes products unique and different from others, contributes to the company's image and brand is also the bearer of value added evoking customers' expectations. Strategy of providing services and guarantees expresses company's attitude to customers and company's culture and ethics as a whole. However, it is important to create a reasonable balance between the particular strategies as preference of only the one could undermine the others. (Jakubikova, 2013, pp. 208-222)

The second set of variables composing the MM is the place, which denotes to market place and points out that distribution means transferring the product from the producer to the market. (Roberts, 1990, p. 139) Distribution includes on the one hand physical distribution i.e. actions going on in order to get the product to the customer (such as storage and warehousing, package, final stock etc.), on the other hand channels of distribution. These cover all the intermediaries involved in getting the product available to customers, the three main types being sales agents and brokers, wholesalers and retailers. (Sharma and Parashar, 2011, pp. 127-128; Roberts, 1990, p. 140)

The way of distribution is very crucial, as it could be the only element of the MM, which is able to offer competitive advantage. Customers generally remember the place, where they bought their product and then associate it either with positive or negative references. (Jakubikova, 2013, p. 241) Consequently, it is important to assume appropriate distribution policy, which would take into account customer specifics, product characteristic and the structure of the channels of distribution in effect. Three distribution strategies can be distinguished – selective (fewer distributors are sufficient in order the producers to achieve good market share; applied for branded products and long life goods), exclusive (very few distributors, whose activities and prices can be more easily controlled by producers) and intensive (mass). As far as FMCG is concerned, the intensive distribution strategy prevails because this enables to sell products in large quantities and obtain significant market share. On the other hand, this strategy is costly and necessitates close collaboration with retailers. (Machkova, Kral and Lhotakova, 2010, pp. 153-154)

Unlike all three elements of the MM that contribute to creating the product's value and represent the costs the producer has to employ, price yields the created value and brings profit to the producer. (Sage, 2013, pp. 4-5) When setting the right price, the company must consider not only the internal factors such as company's marketing and strategic objectives but also external aspects like the nature of the market, price elasticity of supply, nature of demand, customers' expectations as well as competition. (Jakubikova, 2013, pp. 269-293)

Depending on the appropriate balance between the internal and external factors, the company has to decide on product's price when launching a new product to the market. The company can focus primarily on one of three elements when setting the price – cost, demand and competition. According to the cost-based approach, the costs represent the minimum limit of the product's price. The minimum limit, under which the company can work in the long-term, is the long-term minimum limit of price (Srpova, 2010, p. 207) Profitability of demand-based pricing concept depends on how accurately the marketer is able to assess demand for the products because the outcomes are higher prices at strong product's demand and lower prices at lower demand for product. When the competition-based pricing approach is applied, the company sets the price according to competitors' prices, either higher, lower or even the same. The significance of this approach is even more evident if the rival products are almost identical. (Pride and Ferrell, 2007, p. 318)

The traditional concept of the MM based on four P's has become however obsolete because it is no longer able to efficiently control the market in the environment of market economies, which are characterized by informed and demanding consumers, fluidity and difficult predictability of competition. Therefore, the nature of the MM has to be perceived also from the consumer's perspective, unlike the four P's, which are based on the producer's values. With the customer's oriented MM of four C's, which consists of customer value, cost to the customer, convenience and communication, the company expresses to its customers, what utility they can obtain by purchasing a product and by employing certain cost. It takes into account mutual two-way communication between the company and the customer as well as the convenience of purchasing the product. (Jakubikova, 2013, p. 192)

1.2 Marketing Communication

Marketing Communication (MC) or Promotion as the fourth element of the MM means company's efforts exerted in order to influence customer's behavior, attitudes and knowledge about the product, which the company offers. (Jakubikova, 2013, p. 298) Among the principal company's decision is to set the objectives of the MC. As seen in Figure 1-3, the most important objectives of MC include increasing sale or other desirable behavior, increasing awareness of the brand, influencing attitudes to the brand, increasing loyalty to the brand, stimulating behavior, which precedes to the sale or other desirable behavior and building or extending the market. (Karlicek and Kral, 2011, p. 12)

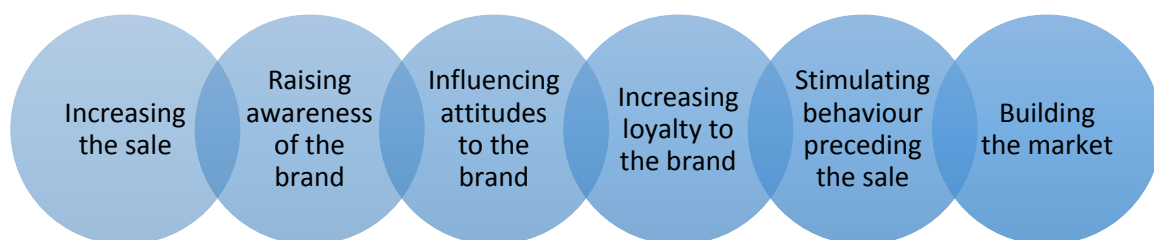


Figure 1-3: Typical Objectives of Marketing Communication
Source: Karlicek and Kral, 2011, p. 12

MC mix serves to the marketer as an instrument to achieve company's marketing goals. To do so, the company has to choose such communication tools that would compose optimal MC mix. These can be either personal form of communication (personal selling) or impersonal communication forms (such as advertising, sales promotion, direct marketing and public relations). (Prikrylova, 2013, p. 42)

Advertising has been perceived as a flagship instrument of the MC as it is able to reach a wide spectrum of population while keeping the costs exerted for thousands of addressed relatively low. Advantages of advertising are its capability to strengthen the company's image, widening awareness about the brand and forming positive attitude to it or its ability to increase sales immediately. Disadvantage of advertising is that nowadays people have become overloaded by various advertisements and therefore they do not pay such attention to them as earlier and sometimes they are irritated with them. (Karlicek and Kral, 2011, p. 49) Typical advertising media are television, press, radio, film, cinema and outdoor media. All of them have their positives and negatives and by choosing the appropriate one, various aspects such as target group, costs, technical parameters etc. must be considered. (Machkova, Kral and Lhotakova, 2010, pp. 168-169)

Initially, direct marketing was understood as sending goods from the producer directly to the customer. Thanks to development of other communication forms, direct marketing is formed by all market activities, which serve to direct contact (either addressed or non-addressed) with the target group. Unlike advertising, which is oriented on intensive group of people, the direct marketing activities focus on a smaller group of prospective customers and are interested in their response. On the other direct marketing is more expensive than advertising. Traditional direct marketing media are: (Prikrylova, 2013, p. 43; Machkova, Kral and Lhotakova, 2010, pp. 170-172)

- Direct mail (sent via post), drop mail (esp. leaflets in mailboxes) and catalogues of products
- Emailing and online newsletters
- Telemarketing and mobile marketing
- Websites
- Online advertising (esp. online banners)
- Direct response advertising and teleshopping.

Sales promotion represents clear and actual purchase motive unlike the advertising, which offers the reason to buy it. Sales promotion activities include participation on exhibitions and expositions, arranging competitions, providing vouchers, rebates, incentives for sellers, favored prices, gifts and premiums, point-of-purchase media (POP media) and other irregular actions. FMCG marketing uses especially samples, price reductions and POP media. Reduced prices of products could initially reduce profit margin per-unit, on the other hand if customers find the product good; they will continue to buy it for regular prices. POP media are various posters or banners in shops as well as product package, which can attract purchaser's attention when choosing from different brands. (Machkova, Kral and Lhotakova, 2010, pp. 173-175; Prikrylova, 2013, p. 88)

Three types of sales promotion can be distinguished according to target group, on which activities are directed – consumer, trade and business staff. Consumer oriented sales promotion activities uses a wide range of methods to support sales and provide information about product's properties. POP mediums, and its elaborated version merchandising, are especially important when the customer is not fully decided about some brand and therefore chooses based on influencing factors at the point of purchase. Merchandising is the way the products are presented in the shelves, which optimizes product's potential to be sold. Gifts and further commemorative objects, coupons, bonuses, premiums, loyalty rewards rebates etc. are all directed at consumer's behavior. The aim of the trade-directed sales promotion is to persuade intermediaries to support product sales and their promotion through various rebates, free goods, sharing costs for advertising at the point of sale, rewards for exhibiting products etc. Sales promotion aimed at business staff shall motivate internal staff, sales teams and external commercial agents to increased performance by

using various training programs, competitions in obtaining as many new customers as possible, providing advertising and sales tools or giving incentives like rewarding certain performance with a holiday. (Prikrylova, 2013, pp. 88-93)

Public relations (PR) could be defined as a two-way communication between the company and those groups, which decide about success or failure of the company. The purpose of the PR is to inform and influence key groups in a trustworthy way while respecting interests of the other party. (Karlicek and Kral, 2011, pp. 115-116) PR is characteristic for being based upon the existence of different opinions and relationships in the public. According to on what public groups the activities are oriented, internal and external public relations can be identified. To the internal public group belong employees, shareholders, customers, suppliers, and the closest vicinity. External public group is then represented by media, teachers, bank and financial sphere, civic, entrepreneurship associations, and state administration. (Prikrylova, 2013, pp. 108-110)

From the MC perspective, the most important and influential are however the media relations as they are able to address all target public groups. Companies do not pay media for their time and effort but they supply them with topics relating to their products or company and thus acquire publicity in media. Therefore, the PR departments must develop such topics that would be not only interested for media but that would also lead to increasing the company's image. The relation between media and PR department shall be fully partnership but there are many obstacles, which could distort it. The PR employees could exert too big pressure to influence the objective work of journalists or even manipulate with information, which they are providing to journalists. On the other hand, journalists are not capable to study each topic in very detail and therefore their articles could be unreliable or inaccurate. (Karlicek and Kral, 2011, pp. 115-151)

As far as personal selling is concerned, although it is the oldest tool of the MC mix, it still keeps prominent position in the MC mix of many companies. The biggest advantage of the personal selling is the real physical contact between the company and the customer, which brings further advantages such as immediate response, individualized conversation and tailor-made offer and even bigger loyalty of customers leading to long-lasting relationship. On the other hand, among the biggest disadvantages of the personal selling are relatively high costs per unit (this is caused by the fact that each customer must be treated separately and individually), time (it lasts quite long period until the loyal and good relationship is created), and also aversion of customers towards the personal selling because many people do not like being addressed with some offer. (Karlicek and Kral, 2011, pp. 149-151)

1.3 Brand Management

Until the Industrial Revolution of 19th century, there were very few products bearing their company's brand. The brands started to be developed with the processes of industrialization, mass production and urbanization, later on especially with globalization. In today's integrated world, where the products have to meet necessary health and quality standards, it is relatively difficult to distinguish products based on their composition. Therefore, the differentiation must be done in consumers' mind and to achieve this end, brand is a key tool. Nowadays, many companies set as their marketing goal increasing awareness of their brand, influencing customers' attitudes to their brand or increasing customers' loyalty to their brands because they know that brand is the driver of consumers' buying and also economic value of the company. (Verma, 2006, p. 18; Riezebos, Kist and Kootstra, 2003, pp. 2-3)

Brand can be characterized as any sign, which makes the company's products different from others. Brand reflects company's strengths as well as customers' values and creates the basis for the mutual relationship. Therefore, brand management is the responsibility of everyone at every level in the company. (Riezebos, Kist and Kootstra, 2003, p. 32; Aggarwal, 2008, pp. 2-3) When brand management is done well, consumers buy the product because they are enthusiastic about the brand and feel connected with it. For that reason, the goal of the brand management is to evoke unique experience leading to customers' affinity, by which customers would identify themselves completely with the brand both rationally and emotionally. The process of achieving this is portrayed in Figure 1-4. (Mediarevolte, 2010; Aggarwal, 2008, pp. 4-5)



Figure 1-4: Customer's Self-Identification Pyramid with Company's Brand
Source: Aggarwal, 2008, p. 4

Typical case in point could be Coca-Cola. In fact, this is a kind of carbonated water as any other, and even much better and tasteful chemical composition can be invented. However, its unique and original brand makes from it object of desire and drives people to love it and to buy it. People are simply affiliated with the brand and in spite of the fact that there exist many coke alternatives; no one is so successful like Coca-Cola. (Verma, 2006, p. 20)

In order to establish a good and strong brand, first of all the company must clarify the identity of its brand, i.e. it would send to customers a clear and non-confusing message on what the brand stands for. The strong brand identity, on which there is a wider consonance within the company, shall reflect the company's vision as well as its values and organizational structure. (Joachimsthaler, 1999, pp. 5-6)

To manage the brand, the company needs to set brand's goals and values and have instruments to achieve them. The company has to analyze brand awareness, loyalty to brand, brand distinctivity, brand image or personality, brand attitudes and consumer behavior. Brand awareness is a significant precondition that the brand would be purchased. Brands that are more famous are generally more attractive than the brands that are less famous. There exist two types of brand awareness, brand recall and brand recognition. Brand recall means that the target group reminds of the brand when thinking about the product's category. For example, when thinking about chocolate, many people remind of Milka in continental Europe. Brand recognition signifies that target group identifies the brand in at the point of sale and connects it with the particular product's category. It is therefore possible to expect that the customer recognizes the brand Milka and immediately evaluates it. (Vysekalová, 2009, p. 29; Karlicek and Kral, 2011, pp. 13-15)

By promoting brand awareness, it is important to strengthen connection between the brand and the product's category. Many companies' brands strive to be the first, which the people associate with the particular product's category, which is called "top of mind awareness" (TOMA). Particularly, when making not so important decisions on choosing FMCG, the TOMA can be the key competitive advantage as the target group is usually satisfied with the brand, which comes to its mind first. (Karlicek and Kral, 2011, pp. 13-14) For instance, when buying a coffee the consumer imagines Nescafé and other alternatives does not take into account because he remembers that this coffee is of good quality, tasty and popular and therefore buys it.

Establishing and maintaining customer's loyalty to the brand is of great importance for many companies. In order to obtain new loyal customers and deepen the existing relations with the loyal customers, the brand must be trustworthy and reliable, consistent in its performance, easily accessible to customers, responsive to customers' needs, committed to them and easily identifiable. Depending on the way the brand is related to the customers, these types of bonds can be distinguished – social, psychological, financial and structural. The social bonds are the oldest ones and are characterized by friendship, understanding and pleasure to deal with others. When the relation is based on psychological ties, the customers

strongly prefer brands because they can express themselves more easily and better or satisfy their needs through the particular brand. FMCG companies often enhance their brands to the position of “symbols”, which results in separating the brand from the product level and customers express their opinion towards the brand. Financial bond means that the relation is based on the profits of economic nature, which the brand offers to its customers like discounts or other financial benefits for repeated or regular usage. If the relation is based on structural bonds, a physical connection is built between buyer’s system and seller’s system, e.g. online communication between hospitals and pharmaceutical companies. (Verma, 2006, pp. 30-33)

Sometimes, it can happen that the target group knows the brand but it does not prefer it to buy. In this case, the company’s goal would be to influence customers’ attitudes positively towards the brand. The attitudes have three mutually linked components – cognitive, emotional and behavioral. The company’s campaign can affect any of these components, particularly the associations produced by the brand. The cognitive part of attitude represents all the opinions and knowledge, which the target group possesses. Emotional component represents feelings of the target group towards the brand in terms of having like or not. Behavioral part of the attitude means a tendency of a particular group to act in a certain way towards the specific brand. (Karlicek and Kral, 2011, p. 14)

Brand personality helps the customers associate the product with certain person, which then deepens the mutual relationship as it humanizes the product. Brand image is a wider term. It means how customers see the product as a whole and it enables the customers to differentiate the product from others. (Verma, 2006, p. 63; Vysekalová, 2009, pp.99-100)

The importance of establishing good brands is especially visible in the FMCG sphere. FMCG companies stress the significance of their brands, which are of high profile and everybody recognizes them and loves them. Table 1-1 shows top ten global FMCG giants based on their market value.

WORLD TOP 10 FMCG COMPANIES (2013)	
1.	Nestle
2.	Procter & Gamble
3.	Coca-Cola
4.	Anheuser-Busch InBev
5.	Philips Morris International
6.	Unilever
7.	PepsiCo
8.	British American Tobacco
9.	Reckitt Benckiser Group
10.	General Mills

Table 1-1: World Top 10 FMCG Companies in 2013

Source: MBA School, 2013

1.4 Ideation

As the previous chapter shows, the significance of company's brand management is on the rise within the MM as the companies recognized that conventional marketing practices are not sufficient and therefore they are looking for new methods to create meaningful experiences with their customers. According to Joey Reiman, CEO of Brighthouse and the inventor of completely new approach to marketing called ideation, consumer experience is what distinguishes successful and unsuccessful marketing. He says that lazy marketing creates a monologue with customers while an experience creates a dialogue. And dialogue can then lead to success. (Reiman, 1998, p. 60) This method, named experimental marketing, is part of his framework of ideation, which can be applied to both the single brand and the company as a whole. This chapter is focused on ideation as a part of the company's brand management.

The basic idea of ideation is that every brand regardless of what it is selling must realize that ideas are the core of the business. Without ideas, the brand cannot have a vision and without vision, the brand has no future. Ideas are therefore more valuable than factories, natural resources, or money itself as money does not create ideas while ideas create money. (Reiman, 1998, p. 166) The whole potential of a company and its employees is only limited by the quality of their ideas. Every project starts in someone's mind and even though most ideas will never reach the execution, other can make a difference. (Graham, 2004, p. 3)

Then, they need to go further inside and find the purpose. While mission tells the brand *what* it is doing and vision *where* it is heading, purpose is something explaining *why* the brand is here and what would the world lose if the brand would have disappeared tomorrow. The real purpose of the brand comes from its roots, from authentic *Ethos* and its distinctiveness and soulfulness. To find this purpose, the brand needs to dig much deeper than just analyzing its strategy. As shown in Figure 1-5, Ethos are the inner core of the whole brand, they are something on what culture, values, strategy and tactics can be built. Purpose then inspires a brand to be a stand. (Brighthouse, 2010)

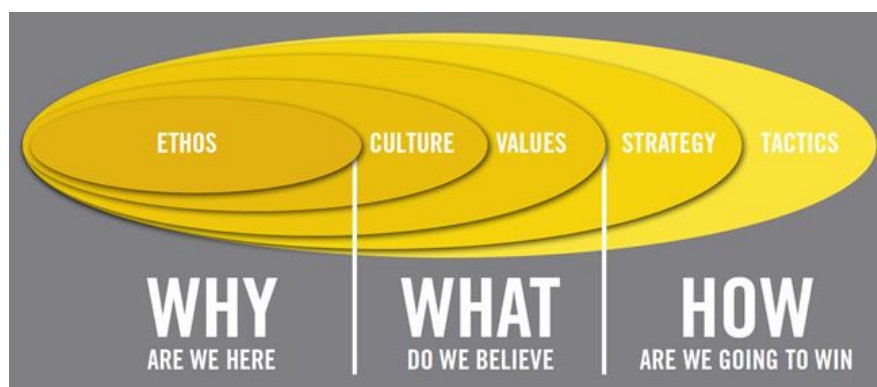


Figure 1-5: Layers of a Brand
Source: Internal presentation of Brighthouse

Chapter 2.1.3 presented the importance of *brand* and its management. However, in the perspective of Ideation, there is also something bigger called a *stand*. Figure 1-6 illustrates that stand is somehow richer than brand; it is more adapted to the present world. People do not only want to know *what* they buy but also *why* to buy it. In a purpose driven company, employees becomes missionaries for what they stand for and advertisements are changing to long term actions aiming to create relationships with the client instead of just stimulating individual transactions. Leaders driven by purpose are measured by their ability to transform their subordinates and the company into a culture creating a place of positive presence. They tend to go out of direct competition by not competing with others but by trying to be distinctive, to create something new, something different what will bring new values to the society. This is possible by creating sustainable plans not for the immediate future but for several years ahead. (Reiman, 2012, pp. 13-15)

A BRAND:	A STAND:
What	Why
Point of Difference	Point of View
Market-Driven	Ethotically Driven
Competitive	Distinctive
Employees	Missionaries
Consumers	Advocates
Contract with Customer	Covenant with Customer
Ads	Actions
Next Quarter	Next Quarter Century

Figure 1-6: Comparison of a Brand and a Stand
 Souce: Internal presentation of Brightouse

Finding the purpose is relatively complex process lasting about 3-4 months and consisting of four stages leading to the Master Idea. The process is called ideation and its stages are: (Reiman, 1998, pp. 63-69)

- **Investigation**
 - Excavate the ethos to bring clarity to *who* the brand is.
 - Many specialists such as psychologists, professors and even priests participate in this stage to bring their insights and perspectives.
 - The result is the blueprint of the brand including all information about the brand and its differences from others in the industry.

- **Incubation**

- Understand the meaningful role the brand plays in the world.
- Creating high quantity of ideas by thinking about the brand and analyzing the brand's blueprint created in the previous step.

- **Illumination**

- Result of incubation, when the thinker has the "Aha! experience".
- It articulates the unique intersection of brand's role in the world, which is called the Master Idea.

- **Illustration**

- Bring the Master idea to life through film and high-level road map with internal and external concepts and creative and strategic plans.
- The final stage, which helps all stakeholders to understand the Master Idea.

Many brands already benefit from finding their purpose. A good example to explain the process of ideation is McDonald's. The company experienced bad times in 2008, when it was losing its share in the U.S. despite of increasing its marketing budget. The competition was increasing and parents were seeking better nutrition for their families. After *investigating* McDonald's history, Brighthouse found that what put cofounders together and helped them to start was jazz. They got inspired by the surprise, which jazz brings to the audience when one of the members steps out to surprise the audience. The *incubation* phase showed that surprise was the factor, which McDonald's was losing so the challenge was how to bring back the joy, which is the core of McDonald's purpose. After being *illuminated* that joyful meal should be the key of company's strategy, the company shifted its focus from toys to joys. Besides other actions, McDonald's started to add a fruit to every Happy Meal and introduced Fruit & Maple Oatmeal, Fruit & Walnuts salads. By filling families with joy, McDonald's shifted from being a brand people buy to a stand, which people buy into. The last part was *illustration* of this shift in the company's communication. McDonald's stock started to grow rapidly. (Reiman, 2012, p.12-13)

However, there are many other examples of brands, which grew after finding its purpose and communicating this purpose to the world. For example, Graco cradles tripled their revenue and crisps Goldfish increased their growth to 15% in comparison to 3% in the category. (Brighthouse, 2010) In general, purpose-inspired firms are having much higher long-term return on investment (ROI) than average S&P 500 company. According to Jag Sheth, the average 10-year ROI of purpose-inspired firm was 1026% compared to 126% of an average S&P company. (Sheth, 2007)

The process of ideation is universal and applicable to many different purposes. It can be for example used in the FMCG marketing as a way of bringing new ideas leading to such product concepts, which will underline the purpose of the brand.

2 Digitalization in Marketing

In past, the only choice of company promotion was tradition non-targeted advertisement in newspapers, magazines, television or billboards as depicted in the second chapter. However now, we have many other choices, which can much better target the audience by using modern technologies and improved techniques. In addition, it no longer works that advertisement is a single sided transmitted message, which disturbs receiver from whatever he or she is doing, with the aim to convince him about its content. Now, the two-way aspect of the MC is more strengthened as people want to have dialog and they want to receive the message containing what they are interested in. (Scott, 2008, pp. 6-8)

These changes influenced the whole approach to marketing, looking on the business from the eyes of consumer and respecting his as well as company's values. This chapter focuses on digitalization, a megatrend in marketing, which is one of the main drivers of this shift to consumer-oriented marketing. This megatrend is also strongly influencing people's shopping behavior. More and more consumers seek to do shopping as convenient as possible and they are either directly shopping on Internet or at least making their shopping decisions on-line.

The main message of the advertisement also changed. When a company was launching a new product in past, the advertisement should have included all the information about the product so that the consumer can decide, whether it fulfills his needs. However, we can find all the important information online now, so there is no necessity to get all from advertisement. Now, we want advertisements to entertain us. (Nobel, 2013, p. 1)

That makes a huge pressure on advertisers to adapt their channels of transferring the marketing message and also to find a way in which consumers want to see the message, as on Internet, the consumer is the one who decide what message to consume. Therefore, it is necessary to adapt the traditional marketing to react on these changed conditions.

Regarding boundaries of digitalization, age limitations come first to the mind. Younger generation is generally more influenced by the megatrend of digitalization, even though the difference is slowly decreasing. Actually, the fastest growing demographic on Facebook is the 45-54 year age bracket. The growth of Facebook usage in this group is 46% between 2012 and 2013 making it the fastest growing demographic group. (Cooper, 2013)

On the other hand, based on the research of Pew Research Center (Figure 2-1), more than three quarters of people less than 50 years old use social medias compared to less than 50% of people older than 50. This research also states that the difference is even higher when comparing the time spent on social media. Younger people in age bracket 18 to 29 tend to be much more active and frequent users than the older groups. (Popescu, 2013) Therefore, when using digitalization in marketing, it is always necessary to realize that the target audience does not have to be the same as in case of traditional marketing channels.

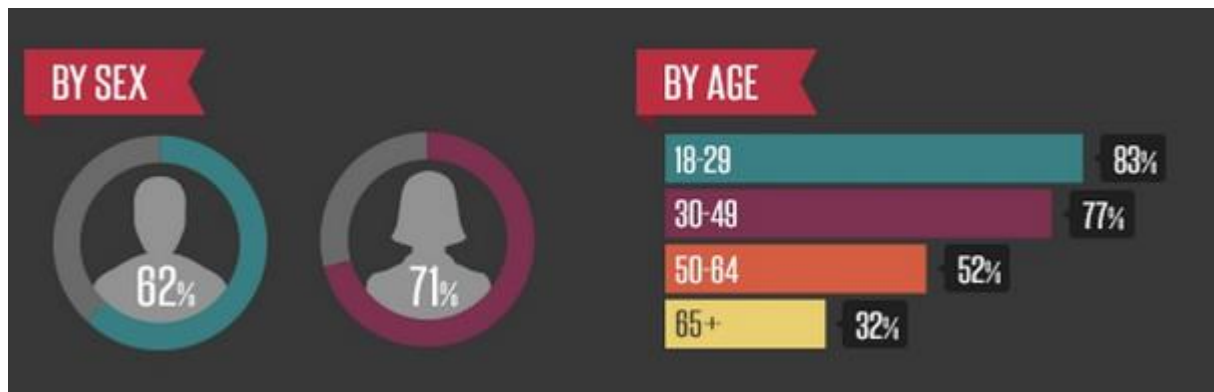


Figure 2-1: Percentage of People who Use Social Media
 Source: Pew Research Center, 2013

This young generation between 18 and 29 years of age is for their frequent use of Internet and other digital technologies often called “The Net Generation”. By growing up surrounded by digital technologies ranging from programmable electronic toy cars through cell phones to smart TVs, they think differently. They are awaiting everything to be customized and to be easy to reach. It is something, which is necessary to take into account also in marketing. The Net Generation is overwhelmed by information so they are filtering only the most important or the most interesting ones. And if the marketing message does not belong within one of these categories, it will be simply deleted. One of the simplest ways to reach this generation is by using those channels they are used to use – digital channels. (Tapscott, 2009)

Another big difference is between the countries and continents. In June 2012, the Internet penetration (percentage of Internet users from the whole society) was highest in North America (78,6%) followed by Australia (67,6%) and Europe (63,2%). On the other hand, only 15,6% of people in Africa and 27,5% of people in Asia are Internet users. African penetration is however the fastest growing, with over 3600% growth between 2000 and 2012. The big differences in Internet penetration are mainly caused by differences in income level of the society in specific countries. (Internetworldstats, 2012) This is another fact, which needs to be evaluated before targeting people by digital channels. For instance, a company selling bar soaps, which are primarily sold in poorer countries, using only digital channels does not need to be the best approach.

2.1 On-line Marketing

On-line marketing is an ideal method of marketing communication for many small and medium sized businesses (SMB) as it provides good results with low budget. Great benefit is high efficiency caused by relatively precise targeting. This targeting is possible thanks to monitoring of users activities across Internet, their shopping behavior and interests (by using tools such as Google Analytics). Thanks to this information, businesses can directly address customers, who have a need for their products and services. (Juraskova, 2012, p. 124)

The basic tool of on-line marketing is creating a company website. This website typically contains information about the company and its products together with contact information. This website serves as an information database for consumers and an efficient communication tool for company. However, it can also be much bigger and more complex portal, interacting with the user or directly selling the goods on-line. The main benefit is high control over the content with possibility of immediate change, interaction with user and precise targeting. (Prikrylova, 2010, pp. 216-217)

To make company website findable on Internet, it is necessary to have the website listed in web search engines. Usually, company does not need to do anything to be listed on most of the biggest search engines (Google, Microsoft Bing, Yahoo etc.) as their robots are continuously searching Internet and indexing new websites. To be listed in some of the smaller search engines, company can proceed with quick and easy registration. However, according to a study of Google Search done by Chitika (2013, Figure 2-2), more than 50% of clicks are on the top two positions in the search engine results. On the other hand, the sixth and further positions are visited by less than 5% of people, searching for the term. To be listed among the first few links, it is necessary to either use practice called Search Engine Optimization (SEO) or pay the search engine for listing the website in the advertisement place on the top of the search and pay for every click on the link.

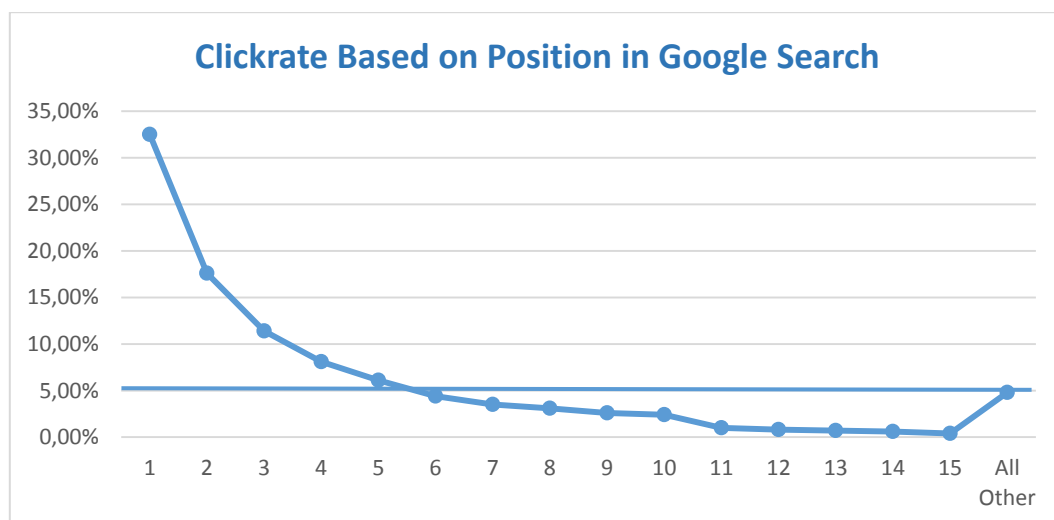


Figure 2-2: Clickrate Based on Position in Google Search
Source: Chitika, 2013. Created by author

SEO is a set of techniques, which make it easier for the search engine's robot to go through the website, index all the subpages, keywords and titles and evaluate what is the website about. There are many companies, which can provide fast optimization of a website so the owner does not need to have the knowledge of the website creation and optimization. The most important tools are: (Scott, 2013, p. 241)

- **Keyword optimization** – frequent use of the words searched by the clients
- **URL optimization** – web address containing the most important keywords
 - e.g. www.example.com/vacation/cheap-Egypt-2013.htm
- **Title optimization** – marking keywords as page titles in the HTML code
- **Metadata** – information about keywords, creator and email in the hidden fields
- **Backlinks** – purchasing back links on more reputable servers to present the importance of the website to the search engine

However, the web designers should also think about the visitors and do not over-optimize the website for search engines at the expense of the readability by live users. Web should be easy to read and browse by both robots and real people. (Scott, 2008, p. 189)

The classical web served to transfer the message from the company to the consumer. However, modern technologies allow much higher level of interactivity, when user can adapt form, in which the information are provided to him, and even communicate back. The set of these technologies is called Web 2.0. It allows users to be part of the creation process for many information on Internet. The most common forms of Web 2.0 are community servers, blogs and social networks. (Prikrylova, 2010, pp. 241-242)

Web 2.0 also strongly influences shopping behavior. People can discuss about products they are going to buy and compare its price on price comparison websites. Rating is another important aspect now, as positive references and good “star” rating on websites like Amazon¹ or eBay² give the product necessary credibility and have strong influence on consumer decision to buy the product. (Prikrylova, 2010, pp. 243-244)

Another important part of Web 2.0 is blog. A blog is an online journal, where users and companies frequently post new messages and other users and comment on them or share them with their friends. For a company, blog can be a place to share information about new products, promotions or to remind consumers about the brand. Professional bloggers have huge influence on their subscribers (readers who receive new posts from the blog). These bloggers often rate products and services and are paid for doing so. (Shelly, 2011, p. 26)

¹ www.amazon.com

² www.ebay.com

Big benefit of Web 2.0 is decrease of needed computer knowledge for website administrator. Nowadays, almost anybody in a company can manage the website thanks to user-friendly publishing platforms such as Wordpress or Joomla. Hosting space provider often offers one-click installations of these platforms so the website is ready to enter the content within a few minutes. (iCertified, 2013) Then, users can simply choose where to enter which text and the website can be done in less than an hour.

To provide users with the best possible user experience, websites are trying to deliver content tailored to a particular user by maximal personalization and customization of the content. In customization, user can manually enter the preferences, what information and in which way to present. Examples can be choosing default currency in e-shop, language on website or color theme of the mailbox. On the other hand, personalization is automatic. User usually creates his account on the server and the website then adapt based on his behavior, location etc. Examples can be Amazon's personalized recommendations based on previous purchases and search history or Grooveshark's recommendations of music the user might like. (Brusilovsky, 2007, pp. 90-91)

One of the most important challenges of every company is to bring visitors to the site. The first source is organic (natural) traffic, coming from search engines and users, who directly typed in the company web address. The second source is online advertising. There are several formats of online advertisement such as pop-up ads (website is opened in a new window), landing pages (website, which is displayed for a few seconds before showing the requested website) and in text advertisements (some words of the article are underlined and link to the advertiser's website). However, banner ads are the dominant advertising format on Internet. (Schneider, 2010, pp. 182-186)

Advertising banners aim to raise the interest of the viewers and motivate them to click on the ad by presenting catchy slogans and graphic, which can also be animated. By clicking on the banner, user is redirected to the website of the advertiser. Either the advertiser pays a fixed monthly fee for having the banner on publisher's website or more commonly pay per click (PPC). This guarantees the advertiser to be only charged for users who really went to his website. Problem of typical banners is very low click-through rate (CTR; percentage of clicks from the total number of visitors on the publisher's website) as people learnt to ignore these banners. Typical CTR of banners is below 2%. (Vurro, 2013, pp. 8-9)

An ad format, which is very simple to create and much more efficient than graphical banner is text banner. It is a short promotional message placed into the rectangle in size of graphical banner. The most successful approach to this model is Google AdWords. Google has wide network of publishers on whose websites the advertisers can put their text banners. Google charge advertisers for every click on their banner and share the profit with publishers. Companies can also advertise directly on the Google website. (Schneider, 2010, p. 184)

2.2 Mobile Marketing

Nowadays, every fourth web page is viewed from mobile devices or smartphones, and more than 50% of mobile users in the U.S. use their smartphone to access Internet. (Pasqua, 2012, p. 21). Therefore, it creates a push to companies to create web pages optimized for displaying on a relatively small screen of the mobile device. However, this trend is bringing not only extra costs for development of optimized pages but also many benefits for marketing. While people are often in a hurry on computer, trying to reach desired information as fast as possible, they are searching the web on phone very often when they do not have anything better to do, when they are bored at the bus station, in a queue at the doctor office or just relaxing on their sofa. This gives a powerful weapon to advertisers as they can inform their consumers about new functions of the product while not disturbing them from their work. (Kacem, 2013)

With increasing number of mobile devices, mobile marketing started to grow rapidly. It is mainly popular for its high targeting leading to high efficiency. Even though average mobile user places only 3 calls a day and receives another 3, according to study commissioned by Nokia, people check their mobile phone 150 times a day, that is once every six minutes. It shows how important marketing medium the phone is. (Spencer, 2013)

This form of direct marketing communication has relatively long history, during which it has changed many times. One of the first forms was SMS marketing. Companies from Europe and Asia started to be massively collecting phone numbers of potential clients in order to send them advertisements. Many companies still use this method to inform their registered users about special offers. (Juraskova, 2012, p. 123)

A form of mobile marketing, which was supposed to have a big future but never reached its potential, is Bluetooth marketing. It is a form of proximity-based marketing techniques based on a possibility to send a message to people with a Bluetooth device passing by the shop within the reach of Bluetooth (about 20-50 meters). However, this method met three problems. First, even though there are high amount of Bluetooth-featuring devices, most of the users disable Bluetooth, are in invisible mode or their device requires authorization before receiving the message. Second problem is that although some users have their Bluetooth enabled, they do not want to receive any marketing messages to their devices and feel disturbed. Finally, the companies are usually unable to make the content spread by Bluetooth interesting and interactive enough to get consumers' attention. (Arnold, 2011)

Nowadays, the main and basic tool of mobile marketing is to create a mobile website. This website may not be different from the standard website but shall be optimized for viewing on mobile devices (primarily adaptation to smaller screen and lower resolution). However, if the company wants to improve the user experience, it should realize that the term mobile refers not only to the device but mainly to the user. The functionality of websites should therefore be targeted to users, who are mobile – on the way, outside of their homes and

offices. This functionality can be anything from simple discount coupon generator to locator of the nearby branch. (Castledine, 2011)

Some companies can decide to go further with mobile adaptation of their content and create a stand-alone mobile application. The benefit of such an application is higher interactivity and higher functionality than basic mobile website. Good example is Henkel, which presented iPhone applications *Colour-Advisor* and *House of Color*. These applications help consumers decide which color and product (from Schwarzkopf and Schwarzkopf Professional) to use to dye their hair. Users can see themselves with the color of their choice in real time by using camera of their iPhone. When they move, their image moves too, creating a real image how the user would look in a mirror after applying this color. It can help consumers decide which color fits their face the best. (iTunes, 2013)

There are several issues with creation of mobile applications. First of them is market segmentation. It is necessary to write a specific application for the target platforms (e.g. Google Android, Apple iOS, Windows Phone) and if the company wants to support another platform, the application must be rewritten. Second problem is frequent necessity to hire external companies even though the company has internal team of developers. The reason is that mobile application development is very different from the development of standard computer programs and websites. Third problem is the necessity for users to download the application. While visiting company website is a matter of a few clicks, installing an application brings a question to user whether the application is worth to install or not. Therefore, the company should either give a good reason to download or have the mobile website ready. (Castledine, 2011)

One of the most modern mobile marketing technologies is NFC (Near field communication). It is another proximity-based technology, which can become the future of Bluetooth marketing. The main benefit is low requirements for authorization of the connection and main disadvantage is short range (typically a few centimeters). This means that the advertiser must entice curiosity of the users to put their phone nearby to the streaming device. (Rowles, 2013) In future, readers will be able to see website with more information about a product just by touching the magazine advertisement, hearing more about a history right from their phone by touching the panel in front of an exhibit in a museum, or having prefilled payment information for a charitable donation by one touch of the poster at the bus station.

2.3 Social Media

Internet undoubtedly adapted both personal and business communication. However, it is Social Media, what completely altered the way, in which many people communicate with their friends, family but also with the companies. Moreover, social media became number one activity on Internet. (Qualman, 2012) Brand communication is happening more and more on interactive platforms, within specific communities, and these platforms are the place, where brand image is formed and brand loyalty intensified. (Mediarevolte, 2010) This is possible by the fact that 90% of people trust online recommendations from people in their online community. (Qualman, 2012)

Communities are characterized by sharing certain strong interest, a common passion that creates bonding energies and strong emotions within the community. This extremely increases the communication efficiency in comparison to mass marketing (i.e. marketing, without high targeting such as TV, radio and billboards). When presenting the brand to communities on social media, the advertiser speaks to certain audiences and in certain context. Therefore, it is possible to adapt the message to be accepted by the community much more precisely than it is possible in case of mass media. (Mediarevolte, 2010)

As there are many different social media platforms, it is important to know their specifics so that the company can adapt their marketing activities for every specific platform. The most used social media platforms are presented in Figure 2-3:



Figure 2-3: Overview of Social Media

Source: Zarrella, 2010; Kabani, 2013. Created by author

It is important to actively monitor the social media and be aware what the consumers are complaining about and what they are praising. If 90% of people are complaining about certain aspect of company's product, it is essential to resolve this issue. When a company becomes a part of the social media community, it can be an active part of the community conversation. However, it is important not to get directly to selling phase but to follow all four steps presented in Figure 2-4. The first three steps will create an important base, which will not only make selling on social media much easier but also allow learning the consumers' opinion and adapting the product offered to offline customers. (Qualman, 2012, pp. 247-249)

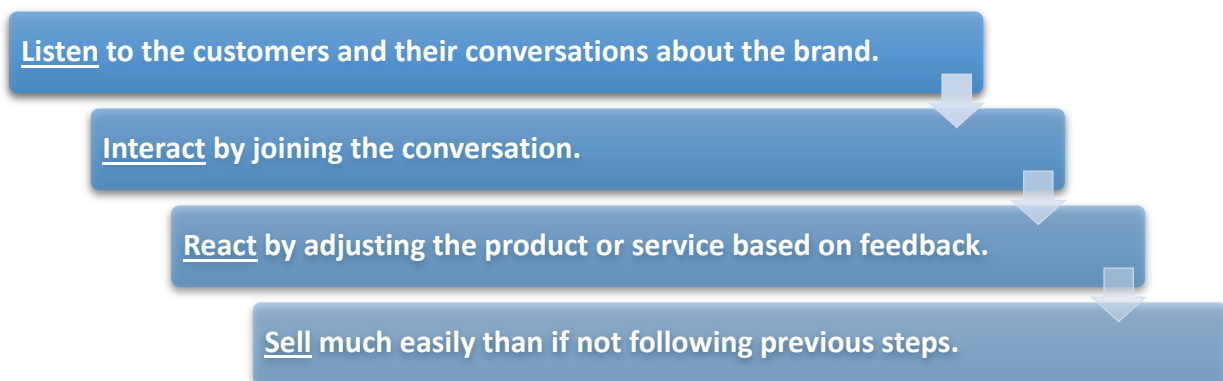


Figure 2-4: Process of Social Media Communication.

Source: Qualman, 2012. Created by author

The very same steps are also done by consumers. First, they *listen* to what company is telling in their advertisements and to what other community members say so they get to know what to be awaiting from offered product or service and what its value is. Then, they *interact* with the product or service by using it. According to their experience during interaction phase, consumers would *react* on social media and share their experience, either good or bad. The reaction will show whether they would *sell* (i.e. inform others) for or against the product. If they would sell against, it is essential to react to these complaints and by correct interaction, the company can still change their opinion. (Qualman, 2012, pp. 249-250)

There are several tools, called social media management tools, which can help companies with sharing on social media. Bufferapp, for example, is a tool, which analyses the time when company's followers check the social media and share the posts in these best possible times so the followers see the updates more often. (Bufferapp, 2013) Another very useful tool is Mention. This tool is monitoring many social platforms to find all the posts, which mention the word we monitor (such as the brand name or the brand name of the competitor), extract these messages and organize them in several categories, helping the company to know what the public opinion is. (Mention, 2013)

Social media can be used not only for promoting the brand but also for direct sales by connecting social media with e-commerce. (Mediarevolte, 2010) This combination is called Social commerce and is created by building social networks around e-commerce platforms and transforming social networks' strengths into a clear value proposition. The main aim of social commerce is providing consumers with inspiration and possibility to discover products instead of a quick click-and-buy option. (Smith, 2013) This is achieved by tools such as ratings of the product done by previous customers and connecting the selling website with an Internet forum or community of specialists. (Mediarevolte, 2010) Well done technique is for example showing the customer, who searched some product over the web but has not bought it, an advertisement linking to a social network page, where people are discussing this product (of course only in case the references are positive). (Smith, 2013)

Social media apps give the company a possibility to allow consumers to join their mailing list, participate in competitions or download a discount coupon. These apps can even allow customer to purchase the product. These apps are very popular on Facebook and the visitor of company's page can see them as tabs on the page. Many users prefer to do all these actions on Facebook as it removes the necessity to enter all their personal details again and allow them to use the functions in an environment they are used to. In addition, it is beneficial for the company to provide these functions on Facebook as participating in these apps usually require "Liking" the page (subscribing to the page content). (Gingerich, 2013)

These apps can also provide platforms, where users are sharing their experience, supporting the social commerce. Alternatively, they can be tools where the brand image is communicated and where people are pulled into the brand world. Users can even become a brand ambassadors based on their participation in the app as presented the Fa Fantastic Freundinnen app of Fa Deutschland page. These interactions are very efficient for connecting the consumers' feelings to the brand. (Facebook, 2013)

When an international company wants to launch an app on Facebook, it often needs to create many apps depending on brand and country. Then, it collects the data separately, which makes the analysis difficult. However, companies such as Facelift³ make it possible to create one central application, which is then only adapted by local countries, but all the data are collected centrally and also all the changes in the application need to be done only once. Facelift even provides ready-made apps with pre-programmed mechanics so the company does not need to have the programming skills and can have the application ready within one hour. Another benefit is that the application is automatically available also from the mobile phones with only a little need of customization. (Henkel, 2013a)

³ <https://facelift-bbt.com/>

2.4 Virality

The expenditures for online video advertising in the U.S. increased from \$1.1 billion in 2009 to \$4.1 billion in 2013. That is 272% increase within 4 years. As it is a big portion of advertising budget, companies try to find the ways to get maximum bang from it. Virality is definitely one of the best ways to try, as it is considered a great cost saving technique. Advertisers post their videos on a video-streaming platform such as YouTube and motivate consumers to disseminate the ads for them via email or social media. This concept seems to be very beneficial for the advertiser but is not always that easy to execute. It is one challenge to create videos, which consumers will want to watch and remember and completely different to create videos so compelling that viewers will not only want to watch them but also actively seek them out and share them with their friends, family and coworkers. (Nobel, 2013, p. 1)

The general condition of every video, which should have viral success, is stimulating strong emotional reaction of the viewer. If the video is able to create powerful, positive emotions, such as hilarity, then it inclines to be shared 30% more often than other videos. Moreover, these videos are remembered three times more. (Cere, 2013)

However, sometimes the company does not need to do anything to benefit from virality. Good example is a video of Fritz Grobe and Stephen Voltz, who performed a video experiment of throwing a Mentos sweet to a bottle of Coca Cola. Their video went immediately viral, shared among thousands of viewers. Therefore, they decided to make more extreme experiment. In this case, they used 500 Mentos sweets and 200 liters of Diet Coke. Viewers were excited and this video⁴ spread over Internet in a speed of light, it went extremely viral. In only 3 weeks, this video reached 4 million people. (Scott, 2008, p. 107) Now, 7 years after being published, it already has almost 17 million views and hundreds of other people created similar videos having in total more than 200 million views. (YouTube, 2013)

This video was a success for Mentos and Coca-Cola from the viral point of view twice. Firstly, millions of people saw the video, talked about it and shared them with their friends. That brought the companies huge brand exposure. Secondly, the video was so interesting that the others started to be creating their versions. Only thanks to that, the viral buzz could really boost. This second success was partially thanks to smart strategy of Mentos. This company realized the potential of this contagious enthusiasm and created a competition shortly after the first video was published. In this competition, people were motivated to create their own Mentos and Diet Coke videos and these videos were then published on the Mentos website, reaching in total more than a million views. (Scott, 2008, p. 108)

⁴ <http://www.youtube.com/watch?v=hKoB0MHVBvM>

However, the companies can also produce the video themselves. In this case, they need to take into consideration a few rules. Teixeira, an assistant professor at Harvard Business School, performed series of laboratory experiments measuring the participants' emotional responses by studying their facial expressions and using eye-tracking software. Based on these experiments he defined four key steps of successful viral advertising shown in Figure 2-5. In the first phase, the best way to attract viewer's attention is to evoke surprise and in the second phase, it is best to evoke continuous moments of joy. Therefore, the simple recipe is to surprise the viewer at the beginning and then make the viewer smile. However, the last two phases are much less general as they no more depend on the emotions but primarily on the personality of the viewer. The motivation to share a video rises from sender's egocentricity and desire to get personal gain from sharing the video. Therefore, advertisers need to figure out how to make not only the product look good in the advertisement but also how to make the sender look good by sharing it. (Nobel, 2013, p. 2)



Figure 2-5: Key Steps of Viral Advertising
Source: Nobel, 2013, p. 2. Created by author

An example of a successful campaign, which completely put the viewer into the center of attention and made him look good and interesting, was campaign of Old Spice on social media. It encouraged consumers to send messages to the brand's face Isaiah Mustafa, who afterwards answered to selected users publically on social media by personal videos. The consumers were excited to share the videos with their networks of friends and some of the videos reached up to a million of views. (Nobel, 2013, p. 3)

Companies should not only concentrate on the virality of the video as another important aspect of the videos is connection to the brand. If the video would go viral and have thousands of views and shares but nobody would remember the brand shown in the video, the company cannot talk about success and it can even lead to brand dilution. On the other hand, showing the product too much in the video will cause viewers to stop watching as people have unconscious aversion to being persuaded. According to Teixeira, brand pulsing is an efficient way to show the product without expostulating the consumers from watching the video. It is based on showing the product repeatedly throughout the video but not too intrusively. (Teixeira, 2012, p.1) Good example of this technique is the Coca-Cola advertisement named "Happiness Factory". In this advertisement, the bottle is shown many

times but always only for a short moment. By 2013, this advertisement had more than 6 million views online. (Extraxyz, 2007)

The final step, after making a video with perfect sharing potential is to spread the word so the people will start to share it. Here, companies must be very careful how much control they will put into making video viral and how much they just leave it on consumers. Companies have four basic choices to start the boom, as seen in Figure 2-6. These choices depend on the level of advertising costs and level of naturalness.

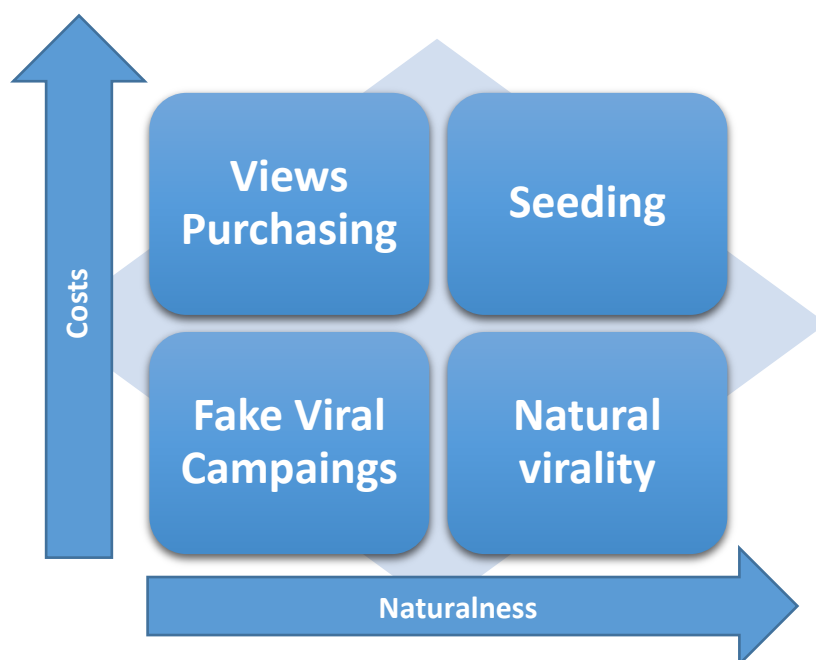


Figure 2-6: Matrix of Viral Supporting Possibilities
Source: Author

The first and often the worst one is creating fake viral campaigns. In this case, company employees or external agencies are viewing, commenting and sharing the video from their own or bogus accounts pretending to be real consumers. As Internet is very efficient in investigating and reporting these tricks, these campaigns are rarely successful and can even harm the company. (Scott, 2008, p. 278)

The second option is paying YouTube or other social media to bring them the first views with hope that they will then share it with friends. YouTube will then advertise the video as "Recommended videos" or the video will appear at the Google search (YouTube is subsidiary of Google) on relevant searches. This technique is easy for the company but it often does not have the expected impact as it brings the views but people brought by advertising tend not to share it and comment on it. (Kacem, 2013)

The third possibility is to hire seeding agencies. These agencies have own network of bloggers, video creators, commenters, to whom they show the video and let them share it and comment on it. As the bloggers always have the choice to share or not, they share what they really like and what they think that their followers want to see. This creates a natural virality. (Kacem, 2013)

The last option is to provide no support. In this case, the video is only posted on the company's social network and all the sharing is let to consumers.

In general, the higher the costs and the naturalness are, the bigger impact the video can have. While fake campaigns have low costs, they also have low naturalness so they rarely succeed. On the other hand, seeding is usually considered the best option for big projects with higher budget. However, each campaign has its specifics and needs to be evaluated separately.

A possibility to increase the naturalness of the company's videos is to use help of consumers, who know the best what they like to watch. This method, called co-creation, is a way of getting a consumer's insight in the middle of marketing process. As co-creation is the main topic of this thesis, it is described more in detail in the following chapter.

3 Co-Creation in FMCG Marketing

As was presented in diagram in Chapter 1, consumers are becoming the core of strategic marketing and all the activities of the marketing mix depend on them. They have still stronger and stronger power to be those, who decide what, where and when they will buy. Thanks to modern technologies and many price comparison websites, they can choose the device, from which they order products, the best product for their needs, the supplier who will sell them the product and the method of delivery. However, why not to allow them also to decide which marketing messages will be communicated to them?

Co-creation is a method, which fully incorporates consumer into marketing communication. It helps companies to allow consumers to be those, who are not only choosing what message they and their fellow consumers will perceive but also allows them to participate on creating that message. Therefore, it is possible to say that co-creation is about consumers talking to consumers, about masses talking to masses. And as was shown in previous chapter how complex process to make a video viral it is, co-creation is something which can make it simpler as people tend to share videos of other people more than normal advertisements.

Chapter 2 presented how interactive media are playing still more important role in the marketing communication. Therefore, the efficient marketing should be about creating an interactive brand ecosystem. In this ecosystem, marketers need to figure out how all the communication channels can work together so all these parts co-exist and multiply the final effect. To stimulate vitality and growth in this ecosystem, there has to be fresh constant flow of ideas. Co-creation brings the brands a possibility to let consumer join the brand ecosystem in a cost-effective and time-efficient way. Consumers can regularly share their opinions and ideas so they fuel the ecosystem to keep it healthy and organic. (Liang, 2013)

There are many reasons why co-creation is becoming a popular source for brand's innovation ecosystem. Marketers are always concerned whether their ideas would resonate with consumers and will not on the other hand produce a toxic reaction. Therefore, they need to validate these ideas and this process is adding extra costs. An easier and more efficient way can be to reach out to consumers as a source of ideas. This will improve the process in the aspects such as speed, creativity and consumer-rootedness. (Liang, 2013)

Cost efficiency is another huge benefit of co-creation. For example, Coca-Cola's Energizing Refreshment project resulted in videos with viral impact of more than 6 million online mentions, while having cost saving efficiency of 92% in comparison to average agency fees and production costs. (Cere, 2013)

Coca-Cola is not the only company from FMCG industry, which is using co-creation. On the contrary, all the big FMCG companies such as Procter & Gamble and General Mills have incorporated co-creation so deeply to their marketing strategies that they even established a position of a co-creation manager. (Roth, 2013b)

3.1 Introduction to FMCG and Analyzed Brands

FMCG companies are pioneers in the use of co-creation as they are in consequent need for innovation in products, packaging and communication. They can be considered as very suitable for co-creation practices as they are usually international so they need to have the international insight in their communication. Moreover, they are bought by masses so they need to communicate in a way, which will attract attention of many people of different personalities. Therefore, this thesis is primarily focused on the influence of co-creation to FMCG companies and their marketing. For that reason, it is important to understand what FMCG companies are and which specifications they have. As Chapter 5 analyzes particular project of brand Fa, the following paragraphs also describes brand Fa and its company Henkel. This allows closer understanding what the brand Fa needs to communicate and how the brand fits the Henkel's portfolio.

3.1.1 FMCG Industry

The term Fast Moving Consumer Goods is usually applied to branded products, which are:

- used at least once a month,
- used directly by the end-consumer,
- non-durable,
- sold in packaged form.

FMCG can be then further divided into 4 main groups as presented in Figure 3-1:

Personal Care
<ul style="list-style-type: none">• Oralcare - toothpaste, mouthwash• Hair-care, skincare, bodycare and cosmetics• Tissues and sanitary towels
Household Care
<ul style="list-style-type: none">• Fabric wash - detergents, laundry soaps• Household cleaners (dish cleaners, air refresheners)• Insecticides
Food & Beverages
<ul style="list-style-type: none">• Soft drinks and bottled water• Cereals, biscuits, snack food and chocolates• Tea and coffee
Spirits and tobacco
<ul style="list-style-type: none">• Cigarettes, cigars, chooving tobacco• Alcohol Beverages

Figure 3-1: Basic classification of FMCG
Source: Gough, 2003. Created by author

This industry is specific for its low costs of items and low profit per sale. On the other hand, it has also high volume of sales and therefore it constitutes a large part of consumer's budget. (Celen, 2005) These goods are usually sold in retail stores, where the manufacturer might be required to pay a listing fee for each stock-keeping unit. Some retailers also require a fee to keep the product on the shelves for a given period. (Gough, 2003, p.2)

Most of the FMCG market is controlled by a few companies. Based on the market value, the biggest one is Swiss company Nestlé operating mainly in food processing industry, producing coffee (Nescafé), chocolate (Aero), ice-cream (Mövenpick), bottled water (Perrier, Nestea), pet food (Purina, Friskies) and snacks (Hot Pockets). The second one is American corporation Procter and Gamble (P&G) focusing on consumer goods. It offers products for cleaning (Mr. Proper), washing (Tide), hair care (Head&Shoulders, Pantene), shaving (Gillette) and other personal care products (Oral-B, Pampers). The third biggest FMCG company is the Coca-Cola Company, marketing non-alcoholic beverages such as Coca-Cola, Sprite, Monster, vitaminwater and over 500 others. (Mbaskool, 2013; Baker, 2012) Detailed overview of brands owned by the top FMCG companies is shown in Appendix 1: Overview of Biggest FMCG Companies. Besides these big international players, there are also local companies in regions and countries and very popular private label brands owned by retailers, which are often produced in cooperation with some of the bigger brands.

Marketing is a key part of FMCG sector. "Above-the-line" advertising such as TV, billboards or print is the most used tactic in FMCG marketing. As the switching cost in this sector are very low, it is essential for these companies to create strong brands with a mass market of consumers. In past, they tried maximal saturation of the market with their message. This is changing and the companies are now trying to apply more targeted approach. International marketing in FMCG can be simply described as research of consumer needs, development of new concepts, and cooperation with marketing agencies on creation of the best packaging and design of promotional campaigns. Local marketing is then specializing on work with sales promotion agencies to create in-store promotions and product sampling campaigns. (Jaray, 2005, pp. 23-24)

Sales is another very important part of FMCG companies, which work closely together with marketing. Category managers need to deal with retailers to support the growth of the whole product category as well as the share of their own brand within this category. Placement is important tool to guarantee the best sales so companies spend large amounts of money to secure the best places in the store. These best places are based on research on consumer behavior and product preferences. (Jaray, 2005, pp. 23-24)

In the FMCG industry, everything goes very fast. Products are sold very quickly, new variants are constantly coming and also the practices inside of the companies are improving. This is possible thanks to innovative thinking in these companies. (Reckitt Benckiser, 2013) One of the biggest drivers of the current innovations is digitalization and the FMCG companies are now trying to utilize the most of it.

3.1.2 Henkel

Henkel AG & Co KGaA (Henkel) is an FMCG company based in Germany, which operates in three divisions: Beauty Care (BC), Laundry & Home Care and Adhesives Technologies. According to Henkel's 2012 annual report, 27% of total sales come from Laundry & Home Care, 22% from BC and 50% from Adhesive Technologies. Each of these divisions is then divided into other categories as presented in Table 3-1. Henkel is the fifth biggest company in the global home care market and 11th in the global beauty and personal care market with 6.4% and 1.9% value share respectively in 2012. That year, 46% of their retail sales were accounted in Western Europe. However, the company is decreasing their dependence on this market in a long-term basis. (Euromonitor, 2012; Euromonitor, 2013a)
























Adhesives Technologies	Industrial		
	Home, School and Office		
	Do-it-yourself		
	Craftsmen & Construction		
Laundry & Home Care	Laundry		
	Home Care		 
Beauty Care	Hair		 
	Body		 
	Skin		
	Oral		

Table 3-1: Overview of the Main Henkel Brands

Source: Henkel, 2013b. Created by author

Henkel implements many trends of digitalization. Its brands are presented on Internet, usually on specific website dedicated to each of them. Each division has consistent design across the brands. In addition, all the websites are being transformed to the version suitable to be displayed on the smartphone. Moreover, most of the brands actively communicate on social media, using them for competitions or tips of product usage. Hair coloration brands even have their own smartphone application, where the consumers can see themselves with different hair color. The project described in Chapter 4 is Henkel's first try of co-creation.

3.1.3 Fa

Fa is Henkel's second largest BC brand, which generated 15% of its total BC sales in 2011. It is part of the Body Care subdivision as it offers shower gels, foam baths, deodorants, deo sticks, liquid soaps, bar soaps and body lotions. Fa is a leading brand on the European market but is also presented in regions such as Middle East, Africa and Asia Pacific. (Henkel, 2013c) Even though the share of the other regions is slowly increasing, Western Europe is still the key market for Fa with 46% of sales in 2011 generated in this region. (Euromonitor, 2012) In 2012, brand Fa was the brand with the second largest value share in Germany (8.1%) after Palmolive (9.0%). Other main competitors are Duschdas, Dove, Nivea and Rexona, but also private labels of retailers and drugs stores. (Euromonitor, 2013b)

There are two main divisions within brand Fa – washing (bath and shower) and deodorants. In 2011, 54% of the Fa brand value was generated from bath and shower sector and 41% from deodorants. Remaining 5% are from smaller segments such as body lotions. (Euromonitor, 2012) The brand Fa is also connected to its male variant Fa Men and in some countries presented by local names such as Barnängen in Scandinavia.

The brand Fa was established in Germany in 1954 presenting a bar soap with a promise of new "Fa"-ntastic style, which not only cleanses but also cares for the modern woman's skin. In the late 60s, Fa started the most expensive and admired advertising concept of the era, increasing its market share considerably. This campaign showed a woman with long, blond hair on a beach in the Bahamas enjoying the lime green and yellow soap, giving her the „wild freshness of limes“. The brand was presented as provocative, emotional with clear focus on freshness. In 1970s, the brand expanded to 46 countries and broadened its portfolio by deodorant spray and bubble bath. (Henkel, 2013d)

Fa became very successful in the 1990s thanks to its concept "The Spirit of Freshness", which combines fragrances from all continents of the earth with care substances. Fa has also launched new Body Splash variants for young, trendy and sport-oriented target groups and Fa MEN, a complete body care line especially developed for men. In the new millennium, portfolio and brand focus evolved beyond freshness into care and competition enters the freshness sector. Therefore, Fa starts to be losing its unique 'Freshness' promise. As a solution the new claim "Fa - feel good freshness" is rolled out worldwide together with innovative yoghurt variants. (Henkel, 2013d)

3.2 From Crowdsourcing to Co-creation

Creative crowdsourcing is not something completely new. Its roots come from the advertising contests in 1950s. In those years, economy in the U.S. grew by 37% and the increase in consumption led the companies to start many contests in newspaper and magazines to boost up this increase even more. Many of these contests were creative ones such as naming contests when consumer was creating a name for a new product or idea contests, which put the consumer in a role of new concept creator. These contests were principally in written form as there were not so many video cameras or even photo cameras in that era. Brands did not initiate and handle contests themselves. Instead, everything was organized by the marketing agency, which was in charge of setting up the contest, promoting it, choosing winners and dealing with the prizes. (Roth, 2013a)

This shows that the principle of organizing creative contests is not new in marketing. However, thanks to many new possibilities offered by digitalization, which were presented in Chapter 2, this phenomenon can be taken to a new level. The combination of digitalization and the power of the crowd is already illustrated in the open source movement, where computer specialist from all over the world work together on project they are passionate about. The result is for example the web browser Firefox or operating system Linux. Many non-digital companies have also already realized this trend and are implementing co-creation not only as a part of their marketing communication, but also in the other parts of their marketing mix. This caused a boom in co-creating in the last decade. (Teng, 2011)

The crowd can be used in marketing in many ways. As presented above, crowdsourcing is the traditional way, when the projects are outsourced to the public. This project can be for example testing the product, brainstorming its name or choosing a fragrance. The company then chooses one of many results and implements it, or quantitatively chooses the solution, which got the most votes. However, the new, improved and enriched way of symbiosis between the crowd and the company is co-creation. The main difference is that co-creation is about cooperation between the company and a group of people with specialized skills depending on the project. These skills can be technical such as engineering specialization or creative such as video creation. (Moran, 2013) More differences between crowdsourcing and co-creation are displayed in Figure 3-2.

In summary, it is possible to say that crowdsourcing focuses on quantity of small changes, which are managed to come to a result. On the other hand, co-creation focuses on quality of answers and produces innovative solutions. (Teng, 2011) While, crowdsourcing is usually used for its cost savings impact, co-creation's main benefit is a connection between the company and a group of specialists, capturing the ideas of many and working with them through different steps to create a better experience for the consumer. Crowdsourcing focuses on quantity and results in incremental changes, but co-creation focuses on quality and produces innovative solutions. Nevertheless, both crowdsourcing and co-creation are based on collaboration and there is no precise line between them so some projects can have signs of both. (Youseph, 2013)

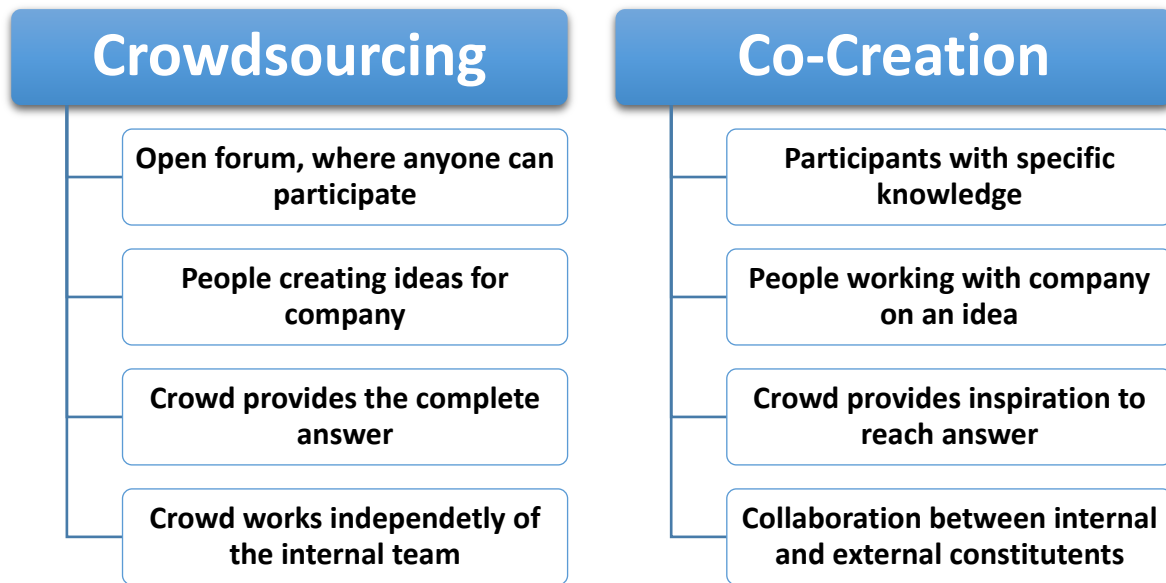


Figure 3-2: List of Differences between Crowdsourcing and Co-Creation

Source: Lonnie, 2013. Created by author

There are many uses of co-creation throughout the marketing mix, from collaboration on the product design, through creation of a promotional video to designing the whole strategy of the company. Everything only depends on the willingness of the company to listen to the crowd and its preparedness to change based on unconventional ideas. However, it is always necessary to choose the right ideas, which have the best match with the innovation goals of the business. When the company involve the consumers who use its products and are part of the group influenced by the requested idea, it is more likely that this idea has potential to reduce the innovation risk of failed projects. (Roth, 2012)

There is also a close relationship between co-creation and the key step of Ideation called incubation presented in Chapter 2.4. As ideation is happening in every marketing department while making new concepts and incubation is the most difficult and time-consuming part, co-creation can be seen as an efficient solution. Instead of hours of time of marketing employees consumed by incubation of the idea, company can outsource this phase to the society and receive creative ideas, which will bring them directly to the illumination phase, when the company decides, which of the concept best suits its strategy. Company then only illustrates the idea to create the final product.

Co-creation is simply a way how the company can integrate real consumers into its internal processes and cooperate with them on something new by using the company's expertise and consumers' fresh ideas. The companies benefit from getting new input and consumer benefits from both self-realization and from the monetary reward. However, it is not always so easy for a company to introduce co-creation, find the suitable co-creators and manage co-creation efficiently. These challenges are therefore described more in detail in the following chapters.

3.3 Co-creators and Their Motivation to Co-create

According to Forrester Research, 61% of adults in the U.S. who use Internet are interested to provide input to companies, which would help to create new products or improve existing ones. In other words, they are interested to become co-creators. Most of them would do this for any brand, while 30% would only co-create for their favorite brand. However, their ideas might be better as they are more passionate about their brands. (Williams, 2010)

These people willing to co-create have different motivations and drivers of their co-creation efforts. The most common are part of 4F framework - Fun, Fulfillment, Fame and Fortune.

Fun is the most important element because the company will not engage anyone to participate if the subject would be boring. People want to enjoy their participation, to have fun while helping the company. Too simple or too complicated tasks are also not fun. If the company would assign a task such as creating a formula of a new drink, most people would not participate, as they would not know where to start. However, if the task would be in form of a game where people would be formulating the drink by choosing their favorite flavor, answering quizzes to determine which functional benefit the beverage should offer and interactively design the bottle, it would be something extremely different for them and they would enjoy it even though the result for the company would be the same. (Roth, 2011a)

Fulfillment is the second most important motivator. People want to build something big and see that their work has a positive impact not only on themselves and the company, which assigned the task, but also on the society. Therefore, when the project's results are towards general welfare, people are much more willing to join. (Roth, 2011a) Many companies realized this fact and thus co-create on topics of social responsibility and sustainability. One the recent topic was sustainable water innovation, which has already been launched by two different companies this year. Aargus Water was looking for an idea of redesigning wastewater treatment plant and Unilever for the most sustainable shower. (Smedley, 2013) Similar topic but with possibly quicker and more direct impact was assigned by Schwarzkopf. They ask the creative community to make a short video convincing society to shower more responsibly by showing that also responsible showering can be joyful. (Henkel, 2013e)

Fame is motivating co-creators mainly in a form of recognition from both their peers and the brand. (Roth, 2011a) As co-creators are usually people working in a creative industry, the recognition from other people in their community is very important for them, can help them to advance in their career or have their other projects realized.

Co-creation cannot directly bring its participants the real *fortune*. However, the financial reward is necessary part of the process as the creators would be unwilling to participate only for the goodwill. (Roth, 2011a) This reward can be in form of money, company product or contribution on the profit from the idea.

Aside from the factors, which are increasing the motivation, there are also some requirements and limitations, which may decrease the motivation of people to co-create or even prevent them from co-creation. Firstly, as co-creation happens on Internet, the participants need to have an Internet access with at least basic internet usage capabilities including usage of email and ability to upload data on website. Secondly, depending on what the photo or video is about, they need to have equipment for taking the photos or videos, properties or actors. Thirdly, in some co-creation task, creators need to have specific skills and knowledge like engineering, designing or chemistry. Finally, it is beneficial for creators to have some experience with video or image creation so they can visualize their idea. They need to have technical knowledge how to use photo editing software (Adobe Photoshop, Zoner Photo Studio etc.), video cutting program (Windows Movie Maker, Apple Final Cut Pro etc.). But they also should have experience with making the screenplay and knowhow to make video entertaining, interesting and graduating.

For these reasons, co-creators are often art students, employees of marketing agencies or just Internet publishers, who are normally producing their own videos for their blog, Internet TV channel or YouTube podcast. But it can also be any fan of brand, who want to show his passion about the brand and can operate a camera. (Henkel, 2013a) The big benefit of co-creation is that people all over the world can participate in the task. Therefore, there are thousands of potential co-creators with required knowledge, which can cooperate with the company. This allows the company to get different points of view sourcing from different customs, values and education in different parts of world.

The decision whether a person, who has the creating skills, will co-create or will not also depends on his or her personality. The co-creating consumer is usually one of the four kinds of personalities: (Roth, 2011b)

- **Reward-oriented**
 - Usually skilled creators, who are generally interested in innovation activities
 - Mainly motivated by the high monetary rewards or strong recognition
- **Need-driven**
 - Consumers, who are not satisfied with current offer on the market
 - Their motivation is to solve the problem they have
- **Curiosity-driven**
 - They are curious to try something new and show high involvement in task
 - They expect multimedia richness and testing novel products
- **Intrinsically interested**
 - People passionate about innovation activities
 - They are motivated by social interaction and recognition

3.4 Process of Co-creation

If the company decides to use co-creation as a source of ideas or collaboration on a project, they have two choices. The first option is to go through the process themselves by defining the task, finding the creators from all over the world, managing the compliance with law in different countries and rewarding the winning creators. This can be suitable for some smaller projects, with limited number of participants or just for basic idea brainstorming. However, for bigger and more complex projects, it is usually more suitable to use the second option, which is cooperation with external specialized agency. This agency can leverage the creativity of a specialized group of people leading in more innovative results.

There are several agencies, which differ in the range, specialization of provided services and in scale of the crowd that is consulted. Platforms such as Ideamama (ideamama.net) bring together designers, marketers, and investors. They work on a project with the aim to turn it into a profitable venture. (Youseph, 2013) The basic aim of Ideamama is to connect investors with creators in closer way than just transferring the money. It provides software in which investors can find the project suitable for their investments and they then become an active part of the development team, cooperating with marketing professionals, idea designers and other experts. The huge benefit is that the investors can outsource most of the task to other parties. (Youseph, 2012) This is, however, not so suitable for most of the co-creation tasks happening in FMCG companies as these companies need to have strong control over the process and have enough resources to completely launch the ideas internally.

Company that might be more suitable for the tasks of FMCG companies is eYeka. This international platform is a leading specialist in the use of co-creation and has already worked with over 100 brands including many leading FMCG companies such as Coca-Cola, L'Oreal and Unilever. Henkel also join this list in autumn 2013 and its project is further analyzed in Chapter 5. eYeka is network of over 250.000 creators coming from over 150 countries and therefore representing the entire world. (eYeka, 2013) These creators are challenged by brands to express their creativity and solve issues, create texts or videos and eYeka, in representation of its community managers from many countries around the world, is in the role of an active advisor to both parties - companies and creators. Anyone can register at the eYeka platform and join the co-creation contest but as presented in the previous chapter, most of the creators in eYeka are people with some creative background. Many consumers passionate about the brand are however often joining the contest too, bringing not as sophisticated results as skilled creators but usually more authentic.

The role of the co-creation agency in the whole process is very important as the agency can assist in most of the steps. Brand can simply go to eYeka and approach it to find a solution to wide range of business issues, ranging from products and services to content for communication. Based on the needs, eYeka guides its members to focus their co-creation efforts by tapping into their collective creativity, it is able to get them to ideate on current problems and come up with unconventional solutions. (Scott, 2011)

The process of co-creation with cooperation with eYeka is presented in Figure 3-3. The steps, which are done by the company, are in blue, steps done by eYeka in green and stages, which are done in cooperation of both advertising company and eYeka are in transition from green to blue. The process is latter applied to the Fa co-creation project.

The whole process starts by definition of co-creation objectives. The company needs to realize if its aim is to identify new trends, create new products, get new ideas about entering new market or reposition the whole brand. Eventually, company's aim can also be discovery of new communication strategies and getting quality consumer-generated content, which can be used for connection with consumers. (Petavy, 2012) In this case, the brand needs to arrange the key goals of this video so that they can communicate these goals with creators. These goals can be for example deepening the brand image, shaping this image or simply increasing the brand awareness.

Then, company needs to prepare the organization for the project and ensure that there is support from all the sides. There is necessary to have coordination between marketing department (overall management of the co-creation process), R&D (control, what is possible to be done and feel to be part of the process to better accept invention done outside), Legal department (which information are confidential and which can be shared) and top management (when changing processes, there is a need to talk to those, who created them). It is also important to clear the financials and support of all the employees. (Petavy, 2012)



Figure 3-3: Co-Creation Process
Source: Author, eYeka 2013. Created by author

Afterwards, two briefings need to be done. These briefings are very important as they influence how creators will understand the assigned topic. The first one is a business briefing done by the company to inform eYeka about its objectives. The other one is a community briefing done by eYeka based on the business briefing but in a way understandable to the community. This briefing is then translated to the most common languages to be well understood everywhere. By publishing this briefing on eYeka website, the contest begins.

The fifth step is contest promotion done primarily by eYeka within its network of creators but can be also supported by the company through informing about this contest on its social media pages or including this information in its newsletter. If some questions from creators arise, they can be answered by either eYeka or the company.

If the co-creation project is about creating a video, eYeka allows creators to send synopsis (short screenplay) of their planned video in the first two weeks of the contest. eYeka collects the synopses, simplifies them and chooses the best ones. These synopses are then consulted with the company so it can get better image how creators understood the briefing and can further shape their understanding by both directly answering the creators who sent the synopsis and by updating the briefing description online.

After the contest ended, eYeka chooses the best videos and presents them to the company with its comments. Also all other videos are provided to the company but without commentaries. During the presentation of the videos, company representatives are given a sheet, to which they are filling in their opinions about specific criteria of the video such as virality, fun, quality and fit to the brand. However, the final winner of the competition is selected later, after all participating parties in the company have chance to evaluate the videos. The number of winners depends on the briefing set up at the beginning. However, the company can decide to accept more videos by purchasing them from creators.

The last step is usage of the videos. If the videos are according to the brand's needs, they can be immediately published and promoted. It is possible to use them on the company website, Facebook page and YouTube. The viewers can watch the videos and if they like them, they would share them. There are also possibilities how to increase videos' shareability, which are described in the next chapter. If the videos need some changes, as they are low technical quality, containing logos of competition or anyhow differ from what the brand needs, the creators can be asked to make some smaller changes. Important is not to push the creator to some bigger changes as the video can then lose its naturalness and therefore also its viral potential.

In some cases, videos might not fully fit to what the brand needs. However, it might still be useful for the company as it can source ideas from these videos and brief a traditional agency to use these ideas and further develop them. Even though, this means not using all the benefits of co-creation, it can still mean a huge difference from the artificially agency-made ideas as these ideas originally came from the consumers.

3.5 How to Boost Virality of Co-Created Video

Modern generation is no more adverse to advertisements as long as they are original and relevant for them. The problem is that they do not believe what the marketing agencies are telling them, which is one of the reasons why many companies try co-creation. Consumer's trust in traditional advertising is on average 23%, while the trust to recommendations from people they know is 92%. Moreover, enjoyment of the video is 14% higher among viewers whom the video was recommended resulting in 97% increase of purchase intend. (Cere, 2013) Viral co-creation videos are using the most from the benefits of personal recommendation. First, the co-creation let consumers talk to consumers, which strengthen the natural process of recommendation. Second, viral videos are based on chains of recommendations and therefore are more trustworthy for consumers than paid advertising.

There are many factors determining whether the video will or will not become viral, which are described in Chapter 2.4 and are analyzed on example in the survey in Chapter 4.3. However, the viral potential is not everything. Distribution is another key factor of starting the viral buzz successfully. It is mainly important in the first days after launching the video as a company needs lots of views quickly after upload to get among the most viewed videos of a day on YouTube and other video sharing portals. Bringing people, who would be blogging and tweeting (writing short comments on Twitter) about the video the very first day can be a step to successful viral campaign. It is always difficult to bring first people to start the buzz so seeding, which was described in Chapter 2.4, is something, what can help.

One of the biggest seeding agencies, which are specializing also on virality prediction of co-creation videos, is UnRuly. This leading global platform for social video marketing offer besides some others two main services – UnRuly ShareRank predicting the emotional impact of videos (with analysis and recommendations of improvement) and Unruly MEME (Media Engagement and Measurement Engine) for getting videos watched, commented and shared across its network of paid, owned and earned media. (Unruly, 2013)

3.6 Risk of Brand Dilution and its Prevention

When using co-creation, companies need to realize that they should not be awaiting the same results as they are used to get from their internal processes. To get the true benefit from co-creation, company should want to receive surprising results, which they were not expecting. However, it is important to evaluate received ideas from the perspective of the company's situation, capacities, culture and brand image because even though the company would have followed all the steps of the co-creation process, chosen the right co-creators and managed to make the video viral, there is still a risk that it would not have positive impact to the brand.

The biggest risk of co-creation videos is brand dilution, which can hurt the main goal of brand management – the image of the brand. Brand dilution is caused by adding new products, services or messages to a brand that do not fit within the brand's boundaries. It decreases brand's value as it causes weakening of consumers' trust and their confusion. Brand dilution in co-creation videos is usually caused by lack of brand knowledge of the creators. (Aggarwal, 2008)

The only prevention from brand dilution is clear understanding of the brand, the benefits it brings and its positioning on the market. The judgment, which message should be communicated and which should not, belongs to the brand manager. (Aggarwal, 2008) Also in case of the co-creation videos, there is some control over what videos are published. Brand manager always needs to evaluate whether the positives, which the video brings to the brand are higher than the possible damages caused by the video's brand dilution.

When using co-creation, the company is not the owner of the videos, which are not among the winners of the contest. Therefore, there is a risk that creators would unofficially publish their videos on social networks or other websites. This can have positive impact as the videos can become viral without the efforts of the company but on the other hand, they can be a source of a strong brand dilution and if they are of very low quality and their message is strongly different from the brand's image, they even hurt the brand.

An example presenting the risk of brand dilution is the co-creation project of Fa, which is described in the next chapter. In this contest, many videos were produced and only three were chosen as winners. Therefore, there is a high chance that some of these videos will appear on internet. One video⁵ was already published on YouTube the very first day after issuing the results of the competition. However, as it received only 31 views in the first week after being published, the possibly caused brand dilution is very low.

⁵ <https://www.youtube.com/watch?v=aW8v9ogs-ik>

set to October 9, 2013, so creators had about 5 weeks to create their videos. Then, Fa planned to have one month to select the winners.

Afterwards, eYeka transferred the business briefing to the community briefing, which is presented in Figure 4-1. The teaser of this briefing is: (eYeka, 2013b)

“Imagine a road trip with your girl friends, wind in your hair, and sun on your faces... Your favorite song comes on the radio. You give the nod and everyone starts singing the chorus at maximum volume! You love your life! Imagine walking in your city’s garden with your colleagues during a lunch break and suddenly kicking-off your shoes in unison. Magically transforming a dull office lunch into an impromptu picnic full of laughter. Fa makes you feel fantastic by keeping you refreshed, sweat-free, energetic and enthusiastic all day long. When you feel fantastic you can make your world more fun, creative and dynamic.”

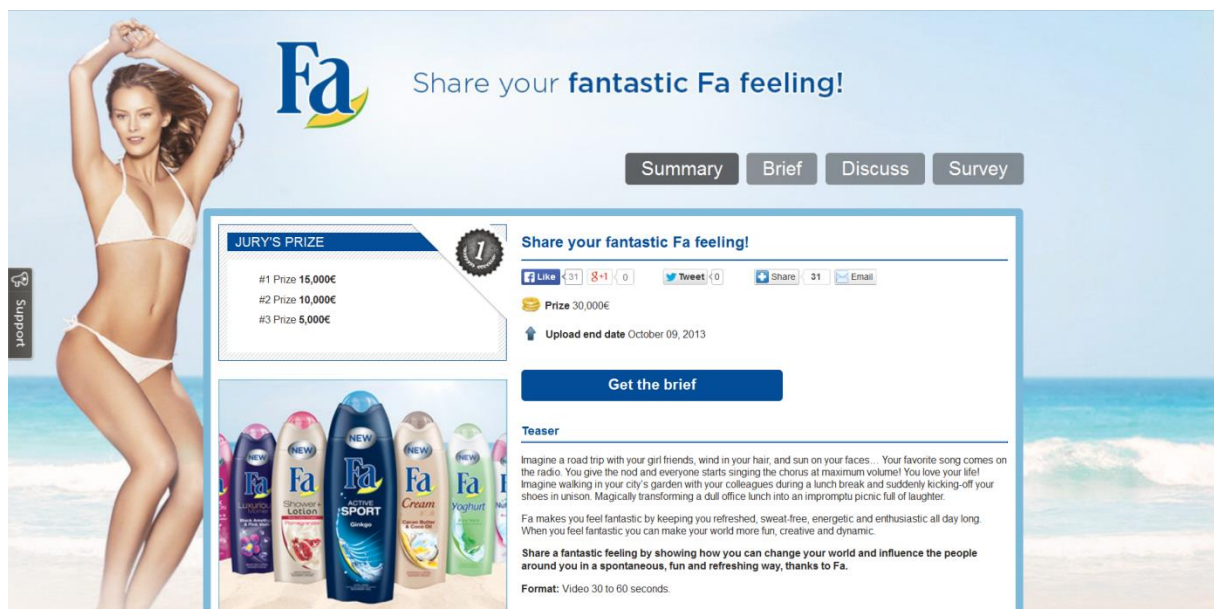


Figure 4-1: Summary of the Community Briefing of the Fa Project
Source: eYeka, 2013b

This teaser was enhanced with a guideline, which was supposed to help creators to better understand the requirements and bring more relevant content. This guideline was informing creators about the importance of linking the story to Fa without the necessity to feature a Fa product in the entry at all. It was also telling them about the purpose of the contest – creating a viral video and not just a TV commercial as no one shares TV commercials with their friends online. The creators should instead engage the audience with an original spontaneous and positive story that will surprise them, make them laugh and make them want to share that fantastic feeling with others. (eYeka, 2013c)

After arranging the community briefing, both Fa and eYeka were promoting the contest, answering the questions of participants and waiting for the outcomes.

4.3 Methodology of Survey

The main purpose of the survey was analyzing whether or not to use the winning videos and if so, exploring how to use these videos. Therefore, qualitative research was conducted as it can provide some initial indication of likely responses and show attributes used in evaluation of the videos. Moreover, qualitative research is very suitable to identify opinion patterns and to receive responses that are more creative. (Douglas, 2005, p. 27; Lichtman, 2013 pp. 7-8) This qualitative research was enhanced by one relevant quantitative question, which helped respondents to realize their emotions. As there are too many videos to evaluate all of them, only the two videos, which achieved the first and second place in the contest, were part of the survey. The first video was "Handle with Care" (later referred as "Video 1") and the second one was "That Fantastic Feeling" (later referred as "Video 2"), both described in the previous chapter.

The questions in the survey were supposed to support three main tasks. The first task was to analyze the viral potential. As described in Chapter 2.4, a video, which is able to create powerful, positive emotions, such as hilarity inclines to be shared 30% more often than other videos and is being remembered three times more. Therefore, the respondents were presented with 9 positive and 3 negative emotions, rating how much they felt them after watching the video on the scale from 0 (not at all) to 5 (maximally). The emotions were selected so that they can reflect the viral potential of the video as well as identify, what needs to be changed. Surprise and Shock are positive emotions leading to the need of shareability as people like to share something uncommon. Knowledge and Inspiration are enhancers of shareability as people want to learn from videos and share the learnings with friends. Hilarity and happiness are other key emotions as people mainly share video to share the fun. Nostalgia, warmth and pride are positive emotions also leading to shares, while confusion, sadness and disgust are negative emotions, which can discourage people from sharing. The respondents were also directly asked whether they would or would not "like" and share the video and about their motives and deterrents for doing so.

One of the main steps after receiving the videos from the eYeka project was evaluation of their quality and potential as well as decision about the way of usage of these videos. As mentioned in Chapter 3.4, the company might ask creators to make smaller changes of the video if it is in low technical quality, containing logos of competition or slightly differ from what the brand needs. Therefore, the second task of this survey was to analyze what changes on the videos should be done before releasing the videos. The respondents were asked what they liked on the videos and what on the other hand would they change.

Chapter 3.4 also stated that if the videos do not fully fit to what the brand needs, the company might decide that the videos will not be launched but they will instead become a source of ideas. The company would then brief a traditional agency to use these ideas and further develop them. The third task of the survey was therefore a research whether the videos can be published as they are or if they need to be redone by a marketing agency. To

asses this, the respondents were questioned about their overall opinion about the videos and as brand dilution was presented as a dangerous risk in Chapter 0, also about their view on the consistence of the videos with the brand Fa.

Besides the three main goals, respondents were also shortly asked about their awareness of the brand Fa to see their main brand connections, as well as asked about their video watching habits to see their main motivators. The aim of these questions was to analyze whether the respondents have sufficient knowledge of the brand Fa to evaluate the fit of the videos to the brand image and if they are watching videos at all to evaluate their quality.

The questionnaire consisted of 21 questions. For each of the two videos, three questions were dedicated to the first task, two to the second task and two to the third task. These questions were asked separately for each of the videos after playing the video to the respondent. Another three questions were about brand awareness and four about video watching habits. Most of the questions were open-ended, only one was evaluative. The whole questionnaire is in the Appendix 2 and its categorized results in Appendix 3.

As typical for the qualitative research, the data were collected through individual in depth interviews. These interviews were performed personally for three reasons. Firstly, personal interview allows interaction, when the interviewer can ask respondents further questions, which help better understand their opinions and can lead to more creative and detailed answers. The second reason was that respondents tend to accept longer interviews when interviewed personally. (Creative Research Systems, 2013) This was important for this survey as the average time spend with one respondent to get high quality of responses including integration of respondent's creativity was 30 minutes. The last and essential reason for conducting the interviews personally was the confidentiality of the videos. As they are not officially released yet, it would be undesirable if the videos unofficially appeared on internet.

The main limitation of personally conducted survey is usually limited number of respondents. However, for the purpose of this research, 24 respondents were surveyed, which should be sufficient amount for qualitative research, and this number was also agreed with the brand management of Fa to be representative sample within this thesis. These respondents were selected to be from the most relevant target group of Fa's digital strategy, which was described in Chapter 3.1.3. All the respondents were females, 19 to 39 years old, who use mainstream brands and take good care about themselves.

The possible limitation is that all the respondents are from the Czech Republic, which is caused by the necessity of personal interview. Therefore, performing this same survey on small group of respondents in other countries to validate universal applicability of the results can be considered as a suitable further step. Afterwards, it can be recommended to create a quantitative questionnaire based on the answers received from the survey conducted in this thesis and deploy this quantitative survey in all the countries, where the videos can be potentially presented. This survey should be done on higher number of respondents.

4.4 Summary of the Survey Results

The survey showed that most of the respondents have similar opinions. Therefore, it was possible to group their answers to 4-7 categories per each question, and these categories are an important output of this survey. The brand Fa can now use these opinions and see how many people out of the panel of respondent shared these opinions. This can get much better image about the general opinions of the respondents. Moreover, they are a basis for the further quantitative survey, which was recommended in the previous chapter. All the categories of answers are presented in the Appendix 3 and the most important results for each of the survey's tasks are presented in this chapter.

Analysis of the Brand Awareness

All the respondents knew the brand Fa and 75% of them use Fa at least once a year. When hearing Fa, they imagine most often its products (42%). However, 21% respondents also imagine the brand's communicated image of beach, sea and waves. Their main motivation for beauty care products purchases is the smell of the product.

Analysis of the Viral Potential

To analyze the viral potential, respondents were rating how much they felt specific emotions after watching the video. The scores ranged from 0 for not at all to 5 for maximally. The Table 4-1 shows how many respondents gave each of the scores to the specific emotion for the first video. It shows that the video scored relatively high for its surprise but it is not shocking enough so it might be not strong enough to lead people to share. The video seemed entertaining to some of the respondents while some others have not found it funny. Nostalgia is another emotion, which is strong in this video and can lead into sharing. From negative emotions, confusion was very strong. It can be a problem as people would not share confusing videos and can get negative impression.

Score:	0	1	2	3	4	5
Surprise	2	4	4	5	7	2
Shock	6	9	4	3	0	2
Knowledge	16	0	5	3	0	0
Inspiration	14	3	0	4	3	0
Hilarity	8	2	0	5	4	5
Happiness	12	3	5	2	0	2
Nostalgia	6	2	5	6	5	0
Warmth	8	0	6	4	2	4
Pride	18	4	2	0	0	0
Confusion	4	2	1	4	8	5
Sadness	19	5	0	0	0	0
Disgust	14	2	3	4	1	0

Table 4-1: Strength of Emotions Felt after Watching Video 1

Source: Own research

5.3 Final Recommendations for Future Co-Creation Projects

The Fa project cannot be seen as a pure co-creation. Chapter 3.2 presented the differences between co-creation and crowdsourcing and this project shows the signs of both. The participation of people with specific knowledge (creators registered in eYeka with the ability of filmmaking) and collaboration between Fa and co-creators (Fa was shaping creator's ideas by evaluating the synopses) are signs of co-creation. However, as creators were creating the videos for the Fa without active participation of Fa employees and the crowd was supposed to provide complete answer instead of just an inspiration, it also has signs of crowdsourcing.

Therefore, for the next co-creation projects of Henkel might be recommended to use clear co-creation. Resulting higher connection between creators and Fa's brand management would be very useful, as it would lead into higher understanding of the brand. This would solve the problem of receiving videos, which are leading to the brand dilution as they are too off-brand, which was one of the key problems identified in the previous chapter. If the brand would be in role of active consultant to the creators, it would be able to shape their ideas to create more relevant content.

A possible realization of higher cooperation would be dividing the contest into two parts. In the first part, only idea concepts in form of detailed synopsis would be submitted. This would enable possible participation of all creative people, also those who might have an idea strongly relevant to the briefing but do not have skills or sources to visualize the idea. The brand would therefore receive much more synopses so there is higher chance to receive relevant ideas with possible strong viral potential. The top three ideas would be selected by the brand and slightly edited if necessary. This would ensure that the videos would be aligning with the brand image.

The next step would be creating another contest, which would be about execution of winning concept ideas. All the creators would be presented with the winning concepts and can choose one of these concepts and make a video based on it. Therefore, they would clearly see what requirements are important for the video, while they can use their creativity about the execution. By this separation of the task into two parts, the brand would be able to get a video, which would be done by the best idea creator and also the best video creator instead of choosing what will be the priority.

The financial impact of having two contests instead of one would be low as creators would be willing to create synopsis for much lower reward than they require for creation of videos. The reasons are incomparably lower costs and time requirements of creating a synopsis from the costs of creating a video (camera, editing, actors etc.).

Conclusion

Co-creation is a way to accelerate business innovations by generating creative consumer-rooted ideas, which can change the way in which the company communicates with their clients. Many companies have already realized the benefits of co-creation and start their first co-creation projects. This trend is strongest among FMCG companies as their marketing is considered the most innovative. However, as co-creation is relatively new method, companies often struggle to utilize it efficiently. Therefore, this thesis researched how co-creation should be used in marketing of FMCG companies. There were several steps to reach this goal, which were following the objectives of this thesis.

The first objective, deep analysis of current trends in marketing with focus on digitalization and especially co-creation, was answered by the first and second chapter. The first chapter focused on reviewing literature sources about marketing communication and its place within the marketing mix as well as on brand management and its enhancement possibilities. This gave an important theoretical background, which further helped to define some specifics of co-creation and other digital trends in marketing. These trends were described in the second chapter, which is presenting the surrounding environment of co-creation including social media and virality.

The second objective, creation of a guide explaining how co-creation should be applied to international marketing, was fulfilled in the third chapter. This chapter was dedicated to the co-creation in FMCG marketing and evaluation of many important challenges of co-creation. Based on the outcomes of both primary and secondary research, this chapter defined the process of co-creation, its viral aspects as well as its risks and history.

The third objective, showing the brand Fa how they should proceed with the co-creation projects to receive optimal results, was accomplished in the fourth and fifth chapter, which applied findings from the previous parts to the project of Fa. This project is described in chapter 4 together with a survey, which was source for evaluation of the whole project. In the last chapter, all the findings from this thesis are applied to the co-creation process and final recommendations are derived.

In the Introduction of the thesis three hypotheses, which needed to be verified, were stipulated. The first hypothesis was aimed at the effectively influence of co-creation to the traditional marketing. I claimed that co-creation is able to make traditional marketing more effective. Even though the thesis showed that co-creation cannot fully replace the traditional marketing agencies and the whole process still needs to be managed and not fully organic, co-creation was found to be cost-cutting, time-saving method, which can bring more new creative ideas in shorter time than a traditional marketing agency. Therefore, this hypothesis was validated.

The second hypothesis related to necessity of high involvement of the company to the co-creation process. I assumed that co-creation activities need high involvement of the company. The thesis validated this hypothesis by presenting how important is involvement of the company in many stages of the co-creation project. First, company needs to create a precise briefing to get sure that the creators would understand the task. Then, the company needs to be actively interacting with creators, answering their questions and transferring the brand image. Sometimes, the company needs to be proactive and directly steps into the co-creation project and help consumers understand what exactly they need to receive. This is possible for example by dividing the co-creation contest to more phases as was presented in the final recommendations.

As the last hypothesis, I expected that videos produced by Eyeka's creators have strong potential to become viral on social media and support the brand image of Fa. As the primary research presented, these videos have interesting ideas and some potential. However, it is necessary to make some adaptations to these videos to increase their potential before presenting them to consumers. Therefore, this hypothesis was disproved but several recommendations were created to make this hypothesis valid for future projects.

All the hypotheses were answered and all the objectives achieved. Also the main research question of the thesis was also fulfilled as the thesis analyzed how co-creation should be used in international marketing of FMCG companies.

Co-creation has potential to bring many fresh ideas to the brand ecosystem. However, as this creative process is based on ideas of consumers, the results are not guaranteed. Therefore, co-creation activities need to be well planned and managed by the brand. Afterwards, co-creation can bring the company content, which will be the fuel of their on-line marketing and the viral hit on their social media pages. Co-creation is therefore becoming an important part of the communication strategy and can become an effective tool of the brand management.

To conclude, this Master's Thesis provided a complex view on the concept of co-creation starting from its theoretical background to the practical application. It can become a valuable source of information for all companies, which are launching their first co-creation projects. Especially, this Master Thesis can be important for the brand Fa by analyzing its co-creation campaign and recommending future steps, which might lead into higher utilization of the outcomes of their carried project. Moreover, it might be useful for Henkel as other brands can learn about Fa co-creation campaign and adapt it to their own future campaigns.

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Figure: The FMCG landscape. Source: Baker, J. (2012)

Appendix 2: Survey

1. Brand Awareness

What do you imagine when you hear “Fa”? What emotions and thoughts does it bring?

.....

Do you use Fa (at least once a year)? Why?

Which other brand do you use and why?

2. Questions about Video 1

Would you “Like” this video on social networks? Why?

Would you share this video? Why?

What do you think about the video and what emotion did it bring to you?

.....

.....

Did it make you feel any of these emotions? Please vote 0-5, where 0 is not at all and 5 is maximally.

Surprise	Knowledge	Confusion	Shock	Hilarity	Inspiration
Happiness	Sadness	Pride	Nostalgia	Warmth	Disgust

What did you like the most on the video? What should be kept unchanged?

.....

.....

.....

What would you change? What would increase your willingness to share/like?

.....

.....

Do you think that it fits the brand Fa? How and how not?

.....

3. Questions about Video 2

Would you "Like" this video on social networks? Why?

Would you share this video? Why?

What do you think about the video and what emotion did it bring to you?

.....

Did it make you feel any of these emotions? Please vote 0-5, where 0 is not at all and 5 is maximally.

Surprise	Knowledge	Confusion	Shock	Hilarity	Inspiration
Happiness	Sadness	Pride	Nostalgia	Warmth	Disgust

What did you like the most on the video? What should be kept unchanged?

.....

What would you change? What would increase your willingness to share/like?

.....

Do you think that it fits the brand Fa? How and how not?

.....

Which of the videos did you like more?

4. Demographical questions

How many hours a day do you spend on PC? How many for joy?

How often do you watch videos on-line and where?

Why do you watch on-line videos?

Which of the videos did you like more?

- a) the first one: 8
- b) the second one: 16

4. Demographical questions

How many hours a day do you spend on PC or mobile internet?

- On average 4.5 hours a day.

How many for joy?

- On average 45% out of the time spent on PC.

Where do you watch videos on-line?

- a) Youtube - 67% of respondents
- b) Other website (FB, Stream.cz) - 42% of respondents
- c) I do not watch online videos – 17% of respondents

Why do you watch on-line videos?

- a) fun: 16
- b) learning: 10
- c) listening to video-clips: 8