How can firms motivate users to innovate on their platforms?

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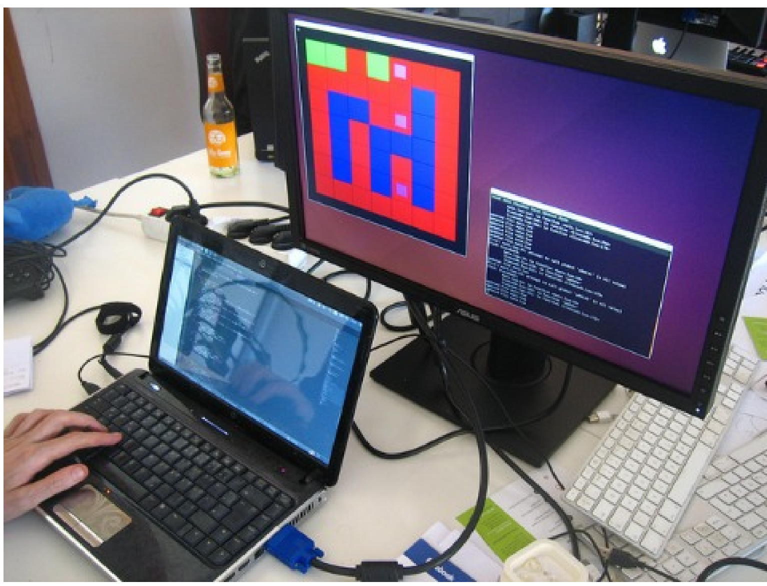
Recent management wisdom has advocated a shift from dedicated R&D within firms to more open forms of innovation where external knowledge is solicited for innovation. Among the external knowledge sources for innovation, users or consumers are often cited as important sources. Why is this so? As firms may incur significant costs in innovation and suffer from innovation blocks, involving users can be an attractive way to create innovations at lower costs – especially since users can bring in diverse ideas and first-hand knowledge of their requirements, or even carry out the entire innovation by themselves. At the same time, user innovation could help improve new service acceptance as user innovators serve as test markets for other consumers. These potential benefits are why we are seeing increasing instances of user innovation in many areas such as banking, consumer products, telecom, and mobile services.



Particularly interesting is the example of mobile service innovations or mobile applications as many prefer to call them. Apple and Google have provided access to the iOS and Android platforms for users to create applications for all kinds of services such as mobile banking, gaming, news, mapping, location-based services, and internet surfing. Indeed, the market for mobile services is growing rapidly with revenues expected to hit US $70 billion by 2017. In fact, mobile data revenues surpassed voice revenues during the first quarter of 2014.

Overall, this creates a highly competitive marketplace for mobile applications that, all the more, necessitates continuous innovation. However, user innovators often drop out from innovation platforms or switch to other platform. These challenges motivated us to study two things: (1) how to stem the attrition of user innovators, and (2) how to influence potential user innovators to start innovating, in order to ensure the sustainability of mobile platform ecosystems.

While a company would know who its user innovators are (e.g., non-professional developers on Google Play or customers contributing ideas on MyStarbucksIdea.com), how could it figure out who its potential user innovators are? In the case of mobile applications, we identified potential user innovators as those users who have basic programming skills and some needs in creating mobile application innovations in the future, but who have not yet done so. This distinguishes them from pure users who have low or no interest in innovation and actual user innovators who have both higher needs and the necessary skills by virtue of having carried out such innovation in the past. Trend leadership is a defining characteristic of user innovators where they experience certain needs ahead of the rest of the market.

While it is important for companies to attract both groups of user innovators, our study shows that the two groups differ in their drivers for innovation. Thus, firms hosting innovation platforms or communities cannot treat all user innovators identically and must cater to the distinct needs of the two groups (i.e., potential and actual user innovators). Our findings suggest that firms should differentiate their strategies in attracting potential user innovators to start innovating and in encouraging actual user innovators to innovate again.

Particularly, we found that potential user innovators value both the enjoyment and extrinsic rewards that they expect to get from the innovation activity, but place less importance on possible extrinsic rewards. In other words potential innovators being more psychologically distant from the innovation activity, think of it in a more idealized way and look more for intrinsic (e.g., enjoyment) rewards rather than extrinsic (e.g., monetary) rewards from it. A firm could use these findings to influence potential user innovators to start innovating. A possible approach could be through providing try-out sessions where potential user innovators could experience first-hand the enjoyment of developing innovations.

For actual user innovators, our findings indicate that they could be encouraged to continue innovating by the lure of extrinsic rewards, recognition, and by innovation tool support. Firms could increase their expectation of obtaining extrinsic rewards by guiding user innovators on how best to leverage the commercialization mechanisms available and highlighting success stories of monetary rewards and career opportunities obtained by other user innovators. Recognition expectations could be enhanced by making user innovators' success visible to their peers, other users, and professional developers on the innovation platform.

Further, firms can improve the functionality of innovation tools both for innovation idea exploration and easing development effort. When the innovation tools are effective, this provides the additional benefit of allowing actual user innovators to enjoy the innovation process. Last, our study suggests that the trend leadership of both groups can be enhanced in order to increase their likelihood of innovating in future (e.g., through increasing the product knowledge of the user innovators).

While it is challenging for firms to encourage users to contribute towards innovation, our study offers suggestions both to motivate existing user innovators to continue innovating and potential users to start innovating on firm innovation and crowdsourcing platforms.

Table 1: Results for Comparison

Drivers of Innovation	Trend Leadership	Enjoyment	Extrinsic Reward	Recognition	Tool Support
Actual User Innovators	Yes	No	Yes	Yes	Yes
Potential User Innovators	Yes	Yes	Yes, but less important than enjoyment	No	No

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Notes:

- *This article is based on the authors' paper* Comparing Potential and Actual Innovators: An Empirical Study of Mobile Data Services Innovation*, MIS Quarterly*, *39*(3), 667-682 (2015).
- *This post gives the views of its authors, and not the position of LSE Business Review or the London School of Economics.*
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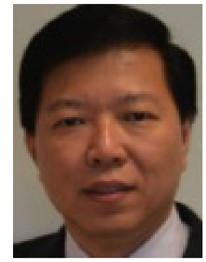

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