Chapter 8

The Usage of Social Media in New Product Development Process:
The Benefits and the Challenges

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ABSTRACT

This chapter contributes to a better understanding of the role of social media in the NPD process and a debate about the impact of social media on NPD success. Through a critical literature review, this chapter provides an insight into the impact of social media on incremental NPD and its contribution to NPD success, in the context of customer involvement. The review is mainly derived from 286 relevant papers published in top-ranked journals between 2005 and 2014. The results suggest that while social media provides an effective and efficient method for collecting information and knowledge about customers' expectations and experiences, it does not necessarily always lead to NPD success. The study shows that hidden customer needs, an advanced evaluation tool, the huge amount of information and a firm's absorptive capacity challenge the use of social media.

INTRODUCTION

Globalisation and the increasing speed of business force firms to continuously innovate and develop new products to ensure long term competitiveness. A continuous stream of ideas has been recognised as essential fuel for new product development

(NPD) (Reid & de Brentani 2004). There is clear evidence that customers play an important role in all stages of NPD from idea generation and concepts through development and design to testing and market launch (Dahan Hauser 2002). Customers are not only able to create their own products but also willing to participate in and

provide their know-how during the NPD process (von Hippel & Katz 2002; Franke & Shah 2003). Today, the use of social media brings the NPD process into another arena. However, evidence of the association between the use of social media and NPD is mixed. The majority (e.g. Colliander & Dahlen 2011; Corstjens & Umblijs 2012; Ernst, Brem & Voigt 2013) reports that to engage customers through social media positively impacts on NPD success. This contrasts with others (e.g. Bartl, Füller, Mühlbacher & Ernst 2012; Haavisto 2014) who show that customer involvement and the use of social media are not necessarily always beneficial to NPD performance. We argue that it is crucial for managers to look closely at the usage of social media in the NPD process. We therefore critically review the existing literature and provide a conceptual framework for future research.

The internet provides companies with an increased ability for making contact outside the company. There are various ways of using the internet for NPD and R&D, including online/virtual communities (discussion forums, blogs) and social networking websites. Web 2.0 technology is an important technology that supports online interaction and serves as a dynamic portal for actors to share information and collaborate with each other (Adebanjo & Michaelides 2010). More importantly, these portals ensure a mutual platform for customers to learn from each other (Franke, Keinz & Schreier 2008). Throughout this chapter, we use 'social media' to refer to these mediums. All the studies cited in this chapter use these platforms to refer to similar and common functions in social media in order to provide interactive communications between their users.

In this chapter, we divide NPD into two categories. Incremental NPD concerns minor changes and modifications to products and technologies, whereas radical NPD represents major departures from existing capabilities in the firm and constitutes the basis for completely new products and services (see Garcia & Calantone 2002). It is argued that incremental NPD improvements may

benefit significantly from user feedback while this feedback has little relevance in the case of radical NPD (Kelly et al. 2013). This difference in nature between these two NPD types suggests divergent roles for customer inputs in NPD. The involvement of customers in incremental NPD through social media is the main topic of this chapter. We focus on firms identifying market needs, determining previously unmet customer needs, and adopting the expectations and needs of customers in the manufacturing and launching of a product, as well as attributing necessary features to the product. Interactive communication platforms, like social media channels, have become an important way of contacting customers during the innovation process of companies. The success of the knowledge exchange created by online social portals in relation to innovation and NPD is an important topic for the literature. Scholars have called for further research on the role of social media in product innovation and development (Björk & Magnusson 2009). This chapter seeks to provide some insights into this important issue by conducting a wide-ranged research on previous studies. The next section details the research method we used. It then presents a literature review on customers and NPD, followed by a critical review of the use of social media and the benefits and challenges to NPD. This chapter concludes with a summary of theoretical and practical implications, the limitations and the directions for future research.

Research Method

To better understand the topic, we conducted a critical literature review. The sources of the review are mainly derived from scholarly journal publications. In particular, we reviewed three and four star journals (based on the ABS ranking of 2010) in the area of Innovation, Marketing and Production. The following is a complete list of the journals chosen: "Journal of Product Innovation Management", "Technovation", "R&D Management", "Journal of Marketing", "Journal

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