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An analysis of the nature and role of reciprocity within the Nike x Basement Collective co-creation strategy

Co-creation strategies have been adopted extensively particularly in the fashion and sportswear sectors. Big brands like Nike are often perceived by the consumer to be out of reach and distanced from the consumer with whom they are so desperately trying to connect. Co-creating with collectives, such as Basement, which are closer to the consumer can be mutually beneficial, providing Nike with market understanding to inform their strategic direction and assisting Basement with a platform and budget to deliver what their community wants. This paper explores the nature and role of reciprocity within Nike’s co-creation strategy with The Basement Collective. The study concludes that reciprocity plays a key role within the co-creation strategy and in some cases, enhances seller performance and widens both BSMNT and Nike’s consumer/fan base.

Keywords: Relationship Marketing, Reciprocity, Gratitude, Co-creation, WOM, Shared Values

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INTRODUCTION

Nike is a global consumer products company founded in Oregon, USA in 1971 (Nike 2017). It is now one of the largest sellers of sporting and leisure goods in the world and is ranked the twenty-eighth most powerful brand in Brand Finance’s 2017 Brand Strength Index (Brand Finance 2017). The Basement (BSMNT) began as a Facebook group where predominantly young (16-24) consumers would buy, sell and talk streetwear. It now boasts a 67,000+ following across social media platforms (Facebook
2017) and is run by a group of young creatives who have become a voice for the community.

To combat increasing competition, Nike has adapted its strategy to try to connect with its existing, and potential, customers on a deeper level, and satisfy demands by co-creating with them through consumer groups (e.g. BSMNT), instead of a more “company-centric value creation” process (Prahalad and Ramaswamy 2004, p.4). The importance of co-creation in order to maintain a competitive advantage is now greater than ever (Sawhney et al. 2005).

**Co-Creation**

Roberts and Darler (2017) imply that organisations are becoming more open to external sources providing ideas and information on how to improve their innovation. A broader audience, including consumers of products and services, provides the organisation with increased consumer insight knowledge and the opportunity to develop their skills set, all within a co-creation space (Roberts et al. 2005; Roberts and Darler 2017).

The internet has brought about a new social economy whereby customers can contribute to knowledge and value creation. The internet acts as a facilitator for creative minds to connect (e.g. from BSMNT) and gain brand recognition (e.g. from Nike) (Nambisan 2002).

Prahalad and Ramaswamy (2004) suggest that a *dialogue* between consumers and companies is one key pillar within co-creation. This involves shared communications, teaching and understanding by both parties (Payne et al. 2008). Literature in the area of co-creation is, however, dimensionally limited to analysing solely B2C or B2B contexts (Nambisan 2002; Prahalad and Ramaswamy 2004; Sawhney et al. 2005; Payne et al. 2008; Vargo and Lusch 2008), perhaps unintentionally, omitting a third dimension that I am proposing, ‘B2BC’ - when the organisation with which a company co-creates (e.g. BSMNT) is also the voice of that company’s (e.g. Nike’s) target consumer.

Galvagno and Dalli (2014) define co-creation as a form of collaboration which produces new, added value, physically and, perhaps through enhancement of brand image, symbolically. A comparison can be seen between this concept and the nature of reciprocity, wherein two or more people give one another benefits and support (Cambridge Dictionary 2017). Thus, reciprocity seems a fitting aspect of relationship marketing to explore when analysing co-creation strategies.

**Gratitude and Reciprocity**

Gratitude is at the heart of reciprocal behaviours (Palmatier et al. 2009; Dewani et al. 2016; Cownie 2017). Gouldner (1960) frames the concept as a power that aids people to keep their reciprocal obligations. More recently, Emmons and McCullogh (2004) distinguish a difference between *gratitude* and *obligation* by suggesting that obligation is the duty and neglects the emotional quality.

Researchers have found that consumers, having received what Palmatier et al. (2009) define as Relationship Marketing investments, will feel content if they reciprocate in
some way but will also often feel guilty if they fail to reciprocate (Becker 1986; Emmons and McCullough 2004).

CONCEPTUAL FRAMEWORK

Adapted from Palmatier et al.’s (2004) model, this framework argues that relationship marketing co-creation investment can lead to both affective and behavioural aspects of gratitude. It also takes into account shared values from Morgan and Hunt’s (1994) KMV Model as an example of a behavioural aspect of gratitude, alongside positive word of mouth. The author argues that both positive word-of-mouth communication and enhanced shared values can lead to enhanced seller performance, which then loops back to the beginning of the co-creation process. The author hypothesises that there is a customer veil over some aspects of a co-creation relationship (Figure 1).

Figure 1. Gratitude Model. (adapted from Palmatier et al. 2009)

Taking into account a B2BC variation, as previously explained, this model dissects the roles of Nike and BSMNT within their co-creation strategy and analyses how relationship marketing investment from Nike can lead to a direct impact on their seller performance.

Relationship Marketing Co-creation Investment

A large quantity of research has been conducted in the B2C and B2B markets and has established that relationship marketing investments trigger an alteration in consumers’ behaviours, often resulting in enhanced seller performance (Morgan and Hunt 1994; Sirdeshmukh et al. 2002). Palmatier et al. (2006) define three types of relationship marketing investment, financial, social and structural.

Financial

Financial investments are often in the form of discounted or free products or services as a reward for customer loyalty (Palmatier et al. 2006). In order to show the importance
of a relationship, Nike often provides its collaborators with free product (Figure 2). This also indirectly aids Nike’s promotion strategies and acts as a form of unpaid endorsement, as the collaborators share their new products to their follower base via social media.

![Image of Nike shoes]

**Figure 2. Nike Financial Co-Creation Investments appearing on co-creators’ channels (Prince-Fraser 2017)**

Noted by Cao and Gruca (2005), in the B2C context, customers attracted by these incentives may be used to receiving deals and so could be harder to please and less profitable. BSMNT might feel entitled to receiving free product, as other companies offer free gifts (Wetzel et al. 2014). It is important, however, to factor in that though Wetzel et al.’s (2014) study found preferential treatment drives greater customer gratitude than entitlement, the study was conducted between two rival firms and their customer base, a B2C sector study.

**Social**

Gwinner et al. (2009) argued that social investments maintained one of the stronger impacts on relationships. Nike’s social investments involve inviting BSMNT to exclusive events hosted by Nike and providing them with special treatment once they are there. These investments can be difficult for competitors to duplicate (Blau 1964) as they won’t have the network and reach distinctive to Nike. Special treatment can add to a person’s sense of self importance (Peterson 1995) and can also enhance affective commitment (Morgan and Hunt 1994). Huang (2015) infers that it is this type of preferential treatment that has the greatest positive effect on consumers’ gratitude.

**Structural**

Idiosyncratic systems or distinctive capabilities (Hamel and Prahalad 1990; Johnston et al. 2017) can be offered as part of a relationship in order to distinguish one company from its competitors. These processes would not typically be directly bought into by the
customer but would come of great benefit to them through the outcome of the final product (Palmatier et al. 2006).

When co-creating on the Nike Dunk sneaker, BSMNT’s most talented designer was invited to Nike’s global headquarters to gain knowledge and expertise on how to design the shoe. The exclusivity of this opportunity highlights where a crossover can occur between social investments and structural investments (where an improvement in the design process can be made in collaboration) in the Nike x BSMNT co-creation process.

Once relationship marketing co-creation investments have been made by Nike, the receiver (BSMNT) will subconsciously analyse the degree to which they have been made out of freewill and the motives behind the action (Palmatier et al. 2009). Following this thought process, two gratitude-based outcomes can occur from the recipient, affective and behavioural aspects of gratitude.

Affective aspects of gratitude

Affective gratitude is intangible and refers specifically to the emotions generated upon receiving an unexpected benefit (Emmons and McCullough 2004). All members of society feel this pressure to reciprocate once they have recognised the benefit being provided, but whether they act upon it determines whether it is solely affective, or affective turned behavioural (Becker 1986).


Behavioural aspects of gratitude

Behavioural aspects of gratitude involve all gratitude based actions that are a consequence of relationship marketing co-creation investments. The first gratitude based behaviour is the start of a cycle of reciprocal behaviours, one company gives and the other reciprocates (Bartlett and DeSteno 2006).

There is a tight link between affective gratitude and reciprocal based behavioural gratitude, which Schwartz (1967, p.8) describes as being responsible for a cycle, a “continuing balance of debt”. Interestingly, these reciprocal behaviours do not have to be deemed of equal value to each other, it is the act of reciprocating in itself that brings the giver satisfaction (Becker 1986).

Reciprocity as a behavioural aspect is not seen as an integral component of relationships throughout the literature, as some researchers note that reciprocal actions may be automatic ‘polite’ triggers and not grounded in affective gratitude and emotion (Fazal-e-Hasan et al. 2017).
Though it has not been discussed in literature, I am arguing that there is a construct ‘the customer veil’ which distinguishes the elements of the co-creation relationship that the consumer can and cannot see. A change in outward facing communications by one organisation to reflect the values of the other company and positive word-of-mouth are both outcomes of behavioural aspects of gratitude that are visible to the consumer.

Positive word-of-mouth

Word-of-mouth is the perceived non-commercial desire for consumers to share information regarding an organisation, product or experience (Arndt 1967; Soscia 2007). Customer gratitude leads to customer affective commitment which positively affects customer word-of-mouth intentions (Bougie et al. 2003; Fazal-e-Hasan et al. 2017).

If customers have been through an exclusive experience, they are more likely to engage in positive word-of-mouth communication (Lacey et al. 2007). Drawing from the relationship marketing co-creation investment examples previously stated, BSMNT publicise these experiences on their social platforms and spread positive word-of-mouth about their experiences (Figure 3).

Figure 3. Post-Nike event positive word-of-mouth spread on co-creator’s social media (Black 2017).

Enhanced Shared Values

Morgan and Hunt’s (1994) KMV model positions shared values as the only key antecedent to directly affect both commitment and trust. They describe shared values as the:
“extent to which partners have beliefs in common about what behaviors, goals, and policies are important or unimportant, appropriate or inappropriate, and right or wrong” (Morgan and Hunt 1994, p.25).

Further to this theory, analysing the outcomes of the Nike x BSMNT co-creation strategy has revealed that not only were values shared through similarities in existing cultures (Schein 1990) but different values increased in their level of importance through the relationship.

Where BSMNT initially saw the importance of keeping fit, in-line with Nike’s values, their public-facing communications focused more on community through a streetwear lens (Kirby 2015). As they worked more with the Running team at Nike, a change in their communications hierarchy developed to promote their community weekday runs more frequently than their streetwear drops, and eventually developing their own Running streetwear brand “LPAC” (LPAC 2017).

Nike understood the importance of community but it was not evident through its strategies and outward facing communications. During the Nike x BSMNT co-creation period, Nike recognised the need to develop strategies built for, and run by, the community. This value was reflected in the activations they curated through their ‘Community Drives Culture’ season (Munro 2017).

Enhanced seller performance

Palmatier et al. (2009) infer that in long term relationships where multiple relationship marketing co-creation investments occur, consumers’ willingness to reciprocate will vary but, in general, reciprocity will result in the customer helping to increase the organisation’s sales growth and share of wallet.

Enhanced seller performance for Nike as a result of the BSMNT co-creation strategy is hard to justify due to a restriction on access to campaign financial measures. However, Nike’s co-creation with BSMNT is ongoing, lasting more than just one campaign strategy, so one can surmise that there is success in terms of brand value, or sales revenue, generated from the strategy.

LIMITATIONS

Co-creation in the context of this paper is primarily face-face interaction between Nike and BSMNT, however, literature on this area has either examined the internet as a platform for communicating (e.g. Sawhney et al. 2005), or taken a conceptual viewpoint (e.g. Perks and Roberts 2013; Roberts and Darler 2017).

Additional research should be conducted to ascertain where the relationship is being nurtured within the company (Palmatier et al. 2009). This body is framed using the organisation’s name ‘Nike’ but it is not the company that is responsible for maintaining this relationship and devising the relationship marketing co-creation investments, it is individuals within the company. It seems more human to hold a greater appreciation for
a relationship marketing co-creation investment when a face can be attributed to the gesture, rather than a logo or brand name.

My conceptual framework draws heavily from Palmatier et al.'s (2009) model, used in part in a controlled laboratory experiment and in part in a B2C field study context in the Northern American industrial products/services industry. I have attempted to apply it to a different sector and elevate the B2C context to B2BC, altering the premise of Palmatier et al.'s (2009) argument. Similarly, I have extrapolated from Morgan and Hunt's (1994) KMV model without conducting a substantial level of primary research to support the adaptation.

Moreover, negative outcomes in the co-creation strategy relationship are not accounted for. How is the effectiveness of the co-creation strategy altered when the relationship is not effective? And, how can gratitude be undermined by entitlement (Wetzel et al. 2014)?

IMPLICATIONS

I believe Nike should increase the amount of co-creation work they do with B2BC groups to continue to stay relevant to their target market and should also be wary of the enhancement of shared values. In the short-term it can be a good method of introducing some of BSMNT's audience to a category they may not typically be invested in. However, in the long-term, consumers could begin to feel alienated from BSMNT as they talk more about Nike's values and less about the core community values which prompted the individuals to follow the collective initially.

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