

# The Role of Consumer Feedback in Driving Innovation

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**Abstract:** This article focuses on the important role that consumer feedback plays in fostering innovation in business. It discusses the importance of listening to and understanding consumer views and preferences when developing new products and services. The article clearly analyses ways to effectively gather and interpret consumer feedback to improve the innovation process and ensure the success of new initiatives. It also discusses the challenges that can arise in processing and interpreting feedback. The article also highlights the benefits of actively involving consumers in the innovation process, including creating loyal customers, satisfied customers, improving competitiveness and minimizing the risk associated with new product launches. Based on a review of recent research and case studies, this article offers insights and guidance for entrepreneurs and managers seeking to effectively integrate consumer feedback into their innovation processes.

**Keywords:** CO-DEVELOPMENT, CONSUMER FEEDBACK, CUSTOMER, INNOVATION, MANAGEMENT

## 1. Introduction

The concept of feedback is found in various areas of human life, but its essence remains the same in every sphere – it provides the system with important information. Feedback serves as a pivotal instrument within behavioral data analysis, offering elucidation not merely on operational occurrences within a business framework, but also on the underlying rationales thereof. Without feedback, we would perceive business processes only subjectively, which could lead to erroneous and inaccurate decisions [1, 2]. Furthermore, it can be delineated as a form of customer communication specifically pertaining to a particular product or service offering. In the realm of traditional marketing, customers were often seen as passive consumers, merely purchasing and using products. Yet, a contemporary viewpoint has emerged, positing customers as active participants, contributing to the creation, development, and production of the products they wish to purchase and use. Innovation has evolved into a cyclical process involving interaction between customers and producers [3].

## 2. Consumer feedback and its processing

Manufacturers are increasingly leveraging customer feedback as a strategic tool to distinguish themselves within competitive markets while concurrently aligning with industry benchmarks. Following the introduction of novel product offerings, corporations' endeavor to actively engage their consumer base, incentivizing them to furnish invaluable perspectives, critiques, and suggestions for enhancements [4]. The notion of feedback is inherently intertwined with the construct of customer satisfaction. Milner and Furnham [5] elucidate customer satisfaction as the degree to which products and services align with the unique expectations of individual clientele, thereby underscoring the symbiotic relationship between feedback mechanisms and the attainment of consumer contentment. Consumer feedback provides information about how we are performing - whether we are meeting customer expectations or, conversely, not even meeting basic standards. Drawing upon a comprehensive review of extant literature, various methodologies have emerged for soliciting essential insights from customers. These methodologies include:

### a. Questionnaire surveys

Questionnaire surveys are one of the most common methods of obtaining feedback. It is important to design the questionnaire correctly and to create questions that will offer us the best possible picture of our customers' opinions. If the questions have been asked appropriately and the sample of customers has answered truthfully, we will get an objective view of the product. Contemporary business practices tend to favor online surveys over traditional modes such as telephone or face-to-face interviews, reflecting the evolving landscape of consumer engagement in the digital era. This is mainly due to the lower cost or the independent time management of the respondent's answer. Nevertheless, incomplete questionnaire responses or ambiguous replies to open-ended queries may pose

challenges, potentially undermining the efficacy of the feedback mechanism [2, 6].

### b. In-depth interviews

In-depth interviews are inductive in nature and arise from individual processes. Their goal is to define a category based on the data obtained and then analyze the relationships between the created categories. We use it if we want to find out from the customer his more detailed opinion on the given product, either independently or in connection with questionnaire surveys. It is important to properly manage the interviews and ask questions relevant to the characteristics of the respondent and their proper adaptation [2, 7].

### c. Group discussions

Group discussions represent a prevalent qualitative research approach due to their cost-effectiveness and provide valuable insight into the opinion of the target group. Typically facilitated by the sponsoring company, these sessions convene a cohort of approximately eight to ten participants, comprising both internal personnel and external experts, for in-depth deliberations on the company's offerings. Such discussions extend over several hours, affording ample opportunity for comprehensive exploration of pertinent product and service-related matters. According to Isson and Harriott [2], the advantage of these sessions is the possibility of direct communication between the company and the target group. On the other hand, it is necessary to be careful with group discussions, because they do not always go in the desired direction, or a small sample that does not provide sufficient objectivity can also be portrayed as a disadvantage [7].

### d. First-line feedback from employees

Employees are one of the main sources of information. Not only do they obtain information about customers, where they find out what they liked or disliked, but on the other hand they also act as a subject who can independently spot possible necessary changes in certain processes or products. They can either improve individual organizational processes and innovate products and services themselves, or they can pass on useful and valuable information to competent places. In this case, it is very important to reserve space and allow the right way for employees to express themselves, as it is the lack of an open corporate policy within the company that can act as a problem [8].

### e. Direct interaction with the customer

It is directly related to the previously mentioned method and thus can be a valuable source of information. It furnishes invaluable perspectives on organizational strengths and weaknesses, encapsulating both commendations and grievances. However, the views collected need to be recorded and categorized, and consumer attitudes need to be analyzed on a regular Without regular analysis, it loses its meaning [2].

#### f. Social media

With the invention of the internet, the digitization of information has made it easier to collect data. It has enabled the capture of word of mouth and more open communication about products, not least because of its potential anonymity. Moreover, this way of gathering information is not only affordable but also systematic and represents access to a large number of customers. However, the disadvantage of feedback via social media is the public sharing of individual opinions, which can be seen by the general public and that can be an influence factor. It is also important to properly separate relevant opinions from irrelevant or false or misleading ones. Moreover, this method can be time-consuming, given the quantity of users on social networks, and in many cases thorough selection is necessary [9].

### 3. Integrating consumer feedback into innovation processes

Utilizing consumer feedback is paramount in comprehending customer needs and preferences. Proactively soliciting and attentively heeding customer input empowers businesses to glean invaluable insights, which in turn can steer and refine their product innovation endeavors. Through consumer feedback, companies can pinpoint deficiencies in their offerings, grasp customer pain points, and unearth novel ways for enhancement.

Involvement of consumers can be delineated into two primary categories: consumer involvement as a source of information and consumer involvement as a co-developer. In contrast to the conventional approach of including consumers solely as information providers in new product development, engaging them as co-developers offers manifold advantages but also poses substantial challenges. Companies engage consumers in new product development to address their needs effectively and facilitate market entry. Consumer involvement in co-development facilitates the integration of fresh concepts, knowledge, and insights into their requirements. The exchange of information between consumers and companies represents a fundamental aspect of co-development [10, 11].

The consumer serves as a valuable resource, supplying information crucial for generating product development ideas. This role can manifest in several forms, including validating designs, prioritizing product features, and specifying product requirements. It is important to state that the development team need to work in alliance with marketing, technical and manufacturing expert in the company throughout the development process [11].

One frequently cited benefit is the enhancement of product quality, as consumer involvement tends to exert a positive influence on product refinement. Involving consumers in the process of developing new products fosters greater innovativeness. Nevertheless, certain studies have identified impediments that hinder companies from fully leveraging consumer engagement in new product development; these include the risk of information overload and the intricacies associated with managing new product initiatives [12, 13].

Co-development is also very neatly tied with consumer satisfaction. Findings show, that engaging in co-development enables the company to create a novel product tailored to meet the customer's requirements, consequently enhancing their satisfaction levels. As a result, customer satisfaction emerges as an outcome of this collaborative process [14]. Vazquez [15] elucidated that active consumer participation in the value creation process significantly enhances consumer satisfaction, potentially reducing time to market for products. This dynamic confers a competitive edge upon companies and augments product performance. Furthermore, in co-development, additional value or features are integrated into the product [16, 17].

Based on theoretical insights and empirical evidence, we claim that consumer involvement in new product development creates mutual benefits for both consumers and companies. From the company's standpoint, consumer engagement in the development process facilitates deeper understanding of customer preferences

and market dynamics, leading to the creation of products aligned with customer needs and expectations. Research indicates that consumer involvement accelerates the company's new product development process and mitigates the risk of product failure, consequently enhancing marketing effectiveness [15, 18].

Consumer involvement in the development process also serves as a potent marketing strategy. Engaged consumers can narrate the product's development journey to new or potential customers, effectively promoting the product and expanding its market reach. This word-of-mouth marketing can significantly influence purchase decisions and enhance overall sales performance [18].

Undoubtedly, consumer co-development presents its share of challenges, notably in the realm of integrating customer-provided information seamlessly into the development process, which can introduce complexity. From a theoretical view point, the abundance of consumer data heightens the complexity of information processing, potentially fostering miscommunication that could influence the use of consumer information [11, 19].

In table 1 we summarize the positive and negative features of using consumer co-development for innovation management, to which we have referred in this chapter.

**Table 1.** Positive and negative features of using consumer co-development for driving and managing innovation.

<b>Positive features</b>	<b>Negative features</b>
<b>Influence in product quality</b>	Information overload
<b>Customer satisfaction</b>	Difficulty of information processing
<b>Reduction of the product time to market</b>	
<b>Increase of product performance</b>	
<b>Minimalization of sale and service cost</b>	
<b>Increase in buyer retention</b>	
<b>Speed up product development process</b>	
<b>Reduction of the risk of product failure</b>	
<b>Word-of-mouth marketing</b>	

### 4. Implementation of consumer co-development

Theoretical insights suggest that effective new product development hinges on adept leadership, relationship management, and communication. Cultivating strong consumer relationships necessitates skillful navigation of these elements, it is very important to know how to manage the relationship through leadership and communication [20].

Trust is another very important factor or element for a successful relationship in a consumer involvement. Based on empirical findings, trust emerges through transparent discussions regarding product development, sharing comprehensive development insights, and granting customers access to the company. Trust is further fostered by the exchange of knowledge and technical expertise within development teams. In an environment characterized by openness and honesty from both company and consumer, mutual comfort is established, enabling the free exchange of viewpoints and collaborative refinement of concepts. Research indicates that trust is essential for successful consumer relationship management, and in some cases, can be cultivated through formal contracting. Consequently, trust assumes paramount importance in fostering positive consumer relationships throughout the co-development process [20, 21]. Establishing trust is instrumental in cultivating customer loyalty. Aligning with these

insights, integrating consumer relationships into the new product development framework enables companies to mitigate sales and service costs, thereby enhancing buyer retention [22].

Communication is another point that we consider as a key factor used within a co-development. Communication is a major driver during the product development process. Communicating a new concept is a major starting point for customer involvement in new product development. There is efficacy of communication through visual aids, examples, and best practices, illustrating the potential inherent in novel ideas, technologies, and products. Communication between the consumer and the company must be two ways. Effective management of the development process necessitates the establishment of an interactive dialogue among development teams, comprising both company and consumer representatives. This interactive dialogue facilitates improved communication and proper sharing of information between the teams [23, 24].

Effective communication plays a pivotal role in strengthening the bond between a company and its consumers. Conversely, miscommunication represents a potential drawback that can undermine this relationship, resulting in negative implications for both parties involved. To avoid misunderstandings during the development phase, it's advisable to clearly delineate specific details, such as the anticipated outcome of the product development, to the consumer. We advocate for utmost transparency from the company throughout the development journey, aiming to mitigate information imbalances as highlighted by Von Hippel [26].

We found, that transparency is another important concept worth considering. In simple expression, transparency means being open and honest about the development process. Establishing trust and fostering commitment from consumers are, again, integral aspects of the new product development process, as underscored by both theoretical frameworks and qualitative data. However, intentional lack of transparency by the company, aimed at safeguarding certain information, can potentially lead to project failure. Consumers inherently appreciate being valued by companies, and failure to convey this sentiment can detrimentally impact the development outcome, potentially signaling to consumers that their input is not taken seriously [25].

In Fig. 1 we graphically represent the elements that create the successful relationship and alliance between consumer and the company in driving innovation, that we have presented in this chapter.

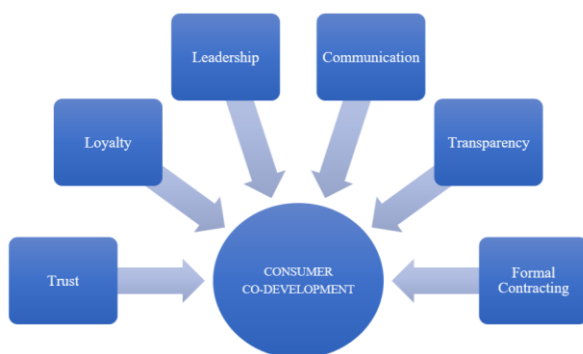


Fig. 1 Elements creating alliance in driving innovation between company and consumer.

## 5. Conclusion

Through a comprehensive examination of literature and empirical data, we have shown the significant influence of consumer involvement on the new product development process. Consumer involvement in new product development entails a collaborative partnership between the company and the consumer, aimed at jointly resolving challenges to generate innovative product solutions.

Based on both theoretical frameworks and empirical evidence, involving consumers in the new product development process creates superior value compared to traditional approaches. This customer-centric approach is increasingly adopted across various

industries, fostering creativity and generating impactful ideas that enhance product value. Moreover, consumer involvement fosters satisfaction by ensuring products are purposefully designed to meet customer needs. Ultimately, this collaborative process cultivates sustainable customer relationships by attentively addressing customer requirements and preferences.

Addressing customer needs and ensuring customer satisfaction are crucial for a company's long-term viability. Economically, involving consumers in product development lowers development costs while simultaneously enhancing customer satisfaction. This approach accelerates time-to-market and reduces the risk of product failure. From an economic sustainability perspective, collaborative product development proves more profitable than solitary development endeavors.

Customer relationships and satisfaction are paramount considerations in the co-development process, particularly given its inherent uncertainties. It is imperative for managers to clearly clarify the co-development plan—including roles, duration, and expectations—to involved consumers prior to start of co-development process. Additionally, fostering regular communication and providing feedback strengthens the manager-customer relationship and keeps customers informed. Ensuring that customers possess a robust level of trust and commitment is essential for successful project execution. Co-development necessitates diverse expertise to identify potential needs and glean insights from consumer experiences, behaviors, and preferences. Consequently, managers should assemble multidisciplinary teams encompassing backgrounds in engineering, marketing, finance, behavioral science, among others.

By obtaining feedback from consumers, we are able to build a comprehensive picture of the products and services we offer. But the important step is to process this feedback, i.e. to make the economic decisions of the business important enough and bring about the improvements and innovations that consumers demand. Theoretical and empirical evidence underscores the necessity for openness and flexibility in the new product development process, facilitating mutual understanding between company and consumer teams. Effective integration and implementation of novel insights are imperative for refining the overall product solution.

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