

Costless Creation of Strong Brands by User Communities:
Implications for Producer-Owned Brands

Johann Fueller, Innsbruck University School of Management and
Visiting Scholar, MIT Sloan School of Management, johann.fueller@uibk.ac.at
and

Eric von Hippel, MIT Sloan School of Management, evhippel@mit.edu

ABSTRACT

Proprietary brands are a major vehicle for producer profits: consumers have been shown willing to pay a considerable “brand premium” for a branded product over an otherwise identical unbranded product. Prior literature has implicitly assumed that only producers develop brands. In this paper, we report that *user communities* also can and do develop strong proprietary brands capable of commanding significant brand premiums. Communities, we find, create their brands at essentially no cost – a costless side effect of member participation in community activities and relationships.

In an empirical study of German and English-speaking outdoor communities, we find that most have created their own community “brands,” sometimes involving logos that are applied to products commonly used by community members, etc.. In a detailed study of one community, we find community brands can gain very powerful positive associations within community memberships, and that many members are willing to pay considerable premiums for products bearing the community brand. These findings suggest that producers face a previously-unexamined source of both competition and collaboration with respect to profiting from brands. One interesting possibility is that producer brands may lose significant market share to user community brands under some conditions. Another is that producers may sometimes find it profitable to co-brand with user communities: this form of co-branding created the highest brand premiums we observed in our study.