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journal homepage: <http://www.elsevier.com/locate/ism>INTERNATIONAL
STRATEGIC MANAGEMENT
R E V I E W

Roles and Resource Contributions of Customers in Value Co-creation

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ARTICLE INFO

Article history:

Received 14 January 15

Received in revised form 21 February 15

Accepted 10 March 15

Keywords:

Customer contribution

Customer participation

Value co-creation

Value creation

ABSTRACT

Acknowledging and incorporating customers' skills and competencies has enabled businesses serve their customers more effectively and efficiently. Customer empowerment through adoption of modern technologies has further accelerated the process of joint value creation between firms and their customers. This article aims to determine the various roles played and resources contributed by customers in the co-creation of value. This study looks upon the various forms of value co-creation from the customer's perspective while elaborating on the various resources contributed by the customer and presents a conceptual framework of value co-creation. Both academics and practitioners could learn from behaviours displayed by customers in each of their roles and manage them accordingly.

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1. Introduction

Value, in recent times, has emerged as a subject of great deliberation by academics and practitioners alike. Such is its importance that Marketing Science Institute (MSI 2010, 2012) included value in its top research priorities for two consecutive terms during the years 2010-12 and 2012-14. The importance of value has also turned it into one of the most overused and misused terms in management and social sciences literature (Khalifa, 2004). Despite various explanations and connotations available, the concept of value still remains elusive owing to its multidimensional nature. The study on value has witnessed a gradual shift in direction: conventionally, it was believed that value was created by the firm and flowed towards the customer, but recently, it has been recognized that creation of value is actually a joint value creation process that occurs between the customer and firm. This transition clearly emphasizes the growing importance of customers - conventionally thought of as passive recipients of value, and their resource contributions towards value creation. Vargo and Lush (2004) in their initial premise asserted that customers were the sole creators of value (FP₆) and the role of the enterprise was restricted to delivery of value proposition (FP₇).

Early literature on management and economics considered the customer a utility seeker, for whom value symbolised a trade-off between benefits gained and sacrifices made during transactions (Zeithaml, 1988). Limiting value to the utility perspective ignores various other important hedonic dimensions deemed important by the customer. In addition to lower prices, the customer also seeks moments of thrill, enjoyment, fun, pride and experiences which account for the increase in his consumption. The concept of value underwent sea changes with the advent of service-dominant logic. The emergence of service as a fundamental basis of exchange has offset the traditional good-dominant logic of marketing. Vargo and Lusch (2004) in SD logic propose that goods are merely appliances for rendering services, and the firm should incorporate the voice of their customers for co-creation of value to achieve customer satisfaction and loyalty. Refuting customisation as a process of creating value for the customer, Grönroos (2011 p.282) insists on value creation as "a process through which user becomes better off in some respect or which increases the customer's well-being".

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Peer review under responsibility of Holy Spirit University of Kaslik.

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<http://dx.doi.org/10.1016/j.ism.2015.03.001>

Various distinct and unique forms of co-creation such as co-production, co-innovation, co-development, co-ideation and experience creation have been deduced from value co-creation literature. The boundaries seem to be blurring, as various co-creation processes could be part of any single co-creation process or it could, in itself, be a standalone process. For example, the co-innovation process itself encompasses various other forms of co-creation such as co-ideation, co-development, co-selection, co-testing and co-launch. Success of any co-creation process significantly depends on the role of the customer and the types of resources contributed to the value co-creation process; the customer being the core of any co-creation activity and his participation and contribution deciding the type of outcome from the process.

Active customers are paramount for any kind of value co-creation and this article deals with two important questions in co-creation: First, what, according to extant literature, are the different roles for the customer to play in the value co-creation process? Second, what kind of resources do customers contribute towards the value co-creation process? Answers to these questions could help in enumerating the responsibilities of customers in value co-creation. Existing studies on value co-creation look upon different roles of customers individually, and consider them mutually exclusive while the author considers these roles to be complementary to one another and not mutually exclusive. Since extant literature on value co-creation has focused on the firm's perspective, this study focuses on the customer's perspective. Firms have long been referred to as value creators in management literature by various authors. This overt and outright focus on the firm has resulted in negligence of the most important stakeholder - the customer for whom the whole activity is undertaken. While briefly addressing the role of firm, this article focuses on customers thus striking a balance between the objectives and scope of the article. The next section lays out the structure of the article while giving reasons for the divisions thus formed.

The aim of this article is to review the expanding literature on the roles and resource contributions of customers in value co-creation and subsequently present the various research questions that still need to be addressed. To achieve the objectives set in the article, numerous definitions offered by different authorities on value co-creation are presented. Next, the various roles that customers jointly assume with firms in the value co-creation process are illustrated. The author aims to elaborate the value co-creation process by giving a detailed explanation of the various resources exchanged between the firm and the customer. To conclude, different research streams are identified and future research opportunities are discussed for each topic covered under the conceptual framework.

2. Value co-creation and importance of customers

2.1. Defining Value co-creation

Creation, communication and delivery of value are identified as the primary activities of any firm. Value is defined as the “capacity of goods, services or activity to satisfy a need or provide a benefit to a person or legal entity” (Haksever, Chaganti & Cook, 2004, p.292). Studies on value began with the study of added value, followed by value chain analysis, superior value, perceived value, relationship value, stake holder value and value in-use (Payne and Holt 2001; Wodruff 1997; Sánchez-Fernández and Iniesta-Bonillo, 2007). Nevertheless, studies on value creation and co-creation are still fragmented.

Various perspectives have been considered by authors to study value co-creation. The different perspectives outlined are: management perspective (Prahalad and Ramaswamy, 2000 2004b; Jaworski and Kohli 2006; Etgar 2006 2008; Nambisan and Baron, 2009; Payne, Storbacka and Frow, 2008; Ramaswamy, 2009; Ramaswamy and Gouillart, 2010) marketing perspective (Prahalad and Ramaswamy, 2004a; Ballantyne and Varey, 2006; Payne et al. 2008; Cova and Dalli, 2009; Gummesson and Mele, 2010; Salloum et al., 2014; Salloum and Azoury, 2012; Hatch and Schultz, 2010; Grönroos 2011; Witell et al., 2011), Service logic and Service Dominant Logic (Vargo and Lusch 2004; Edvardsson, Tronvoll and Gruber, 2011; Vargo, 2008; Ballantyne and Varey, 2008; Cova and Salle, 2008; Dong, Evans and Zou, 2008; Maglio and Spohrer, 2008; Bolton and Saxena-Iyer, 2009; Ferguson, Paulin and Bergeron, 2010), Design Logic (Brohman et al. 2009, Sanders and Stappers, 2008; Lee 2008; Nenonen and Storbacka, 2010; Kohler et al., 2011; Mukhtar 2012), Innovation and New Product Development perspective (Prahalad and Ramaswamy, 2003; Sawhney, Verona and Prandelli, 2005; Franke and Schreier, 2008; Michel, Brown and Gallan, 2008; Romero and Molina, 2009; Tanev, Knudsen and Gerstlberger, 2009; Nambisan, 2009; Bowonder et al., 2010; O'Hern and Rindfleisch 2010).

Various definitions of value co-creation from various disciplines and perspectives such as Marketing, Service, Interaction, Design, Innovation and NPDP have been discussed in management literature. Kambil, Ginsberg and Bloch (1996) were the first ones to coin the term ‘value co-creation’ for emphasizing the role of customers in business strategy and marketing. But the term was popularised and disseminated by Prahalad and Ramaswamy (2000 2004a 2004b), who conceptualised value co-creation as the “co-creation of personalised experiences with the customers”. Instead of focusing only on the offering, organisations should emphasise on experiences at the multiple points of exchange as the basis of value co-creation. Table 1 contains numerous definitions of value co-creation synthesised from various authors.

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