



Value co-creation and customer loyalty[☆]



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ARTICLE INFO

Article history:

Received 1 February 2015

Received in revised form 1 June 2015

Accepted 1 September 2015

Available online 24 October 2015

Keywords:

Value co-creation

Customer loyalty

Behavioral loyalty

Attitudinal loyalty

ABSTRACT

This research examines value co-creation and its effect on loyalty toward the organization from both the attitudinal and behavioral viewpoint. To do so, this research uses the customer's perspective. The empirical study uses structural equation modeling (AMOS) as a method, with a sample of 547 users of personal care services firms. The results show the existence of a significant relationship between value co-creation and attitudinal loyalty. The latter also significantly affects behavioral loyalty. The main contributions stem from a better knowledge of the antecedents of loyalty by incorporating a variable not previously studied: value co-creation. This study also offers a contribution to the research field of value co-creation because, in spite of a growing interest in the topic, little knowledge exists on the effects or consequences of this construct.

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1. Introduction

Customer loyalty is one of the best intangible assets that an organization can have. Both in its attitudinal and behavioral dimensions, loyalty has a huge potential of differentiation and is a source of competitive advantage. Therefore, to explain the factors on which this loyalty depends has a definite interest for both business practices and the development of a body of knowledge in the marketing area. In this sense, numerous investigations focus on finding out the antecedents of loyalty, among which studies commonly list satisfaction, perceived value, and services quality. This work lies within the framework of this research line and proposes a new antecedent of loyalty: value co-creation between the customer and the firm.

This subject of study has a growing importance in the literature. A quick search in the ABI database referring to the publications in scientific journals over the last three years of documents that use the term “value co-creation” generates 264 results. Studies since Prahalad and Ramaswamy (2000) and Vargo and Lusch (2004) evidence a change

in the marketing philosophy implying the customer's active participation in value creation. Firms adopt the role of value creation facilitators and customers feel a motivation and willingness to involve themselves in the service (Payne, Storbacka, & Frow, 2008). Some empirical studies identify the benefits of customer participation for the firm in terms of increasing customers' satisfaction (Sharma & Patterson, 1999; Vega-Vázquez, Revilla-Camacho, & Cossío-Silva, 2013) and their level of trust (Revilla-Camacho, Cossío-Silva, & Vega-Vázquez, 2014) and loyalty in the B&B area (Yang, Chen, & Chien, 2014). The aim of this work is to analyze the relation between value co-creation and customer loyalty in the framework of services firms.

From a managerial viewpoint, the relevance of this study lies in the influence of loyalty on achieving success in the organization. The costs of dealing with a loyal customer are significantly inferior to the costs of attracting and serving a new customer (Ndubisi, 2006). Loyal customers are also more willing to pay more for products or services and recommend the service to other potential customers (Gee, Coates, & Nicholson, 2008). On the other hand, loyal customers generate more profits as the length of their relationship increases (Reichheld, 1993). All of these aspects promote the achieving of a real competitive advantage (Bharadwaj, Varadarajan, & Fahy, 1993).

To conclude, in services, the link between the supplier and the customer and the possibility of customer interaction favors customer participation through value co-creation. This participation enables the discovery of opportunities to establish relationships that contribute to encouraging loyalty and decrease the probability of customers ending their relationship with the firm (Revilla-Camacho, Vega-Vázquez, & Cossío-Silva, 2015). Under this perspective, value co-creation must contribute to achieving a competitive advantage through customer loyalty.

[☆] The authors thank Alicia Blanco-González, Universidad Rey Juan Carlos de Madrid, for the insights and suggestions, and Encarnación González-Vázquez, Universidad de Vigo, for the revision of an earlier draft of this study.

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Following these ideas, this work has three aims: first, to find out if costumers' co-creation of value affects those customers' intention to remain loyal to an organization; second, to discover if a customer participating in joint value creation affects behavioral loyalty; finally, and taking into account that the intentions of adopting a specific behavior tend to precede the behaviors themselves, to learn if attitudinal loyalty has an effect on behavioral loyalty.

This study carries out an empirical study of the personal image sector to achieve the aims. Three arguments justify the choice of this sector: first, numerous works in the area of marketing center on this type of services (Bove & Smith, 2006; Li-Wei, 2011; Wang, 2011); second, personal image is a sector in which the active participation of the customer in service provision and the interaction with its supplier is intense—a key aspect for the research aims and value co-creation, the objective of the study; finally, competition among centers exists in this sector, as does a focus on quality; that is to say, who gives the best service, treats the customers the best, and, consequently, gets the customers to recommend the center to their friends and relatives. All these characteristics have a relation with the service experience, which supports value co-creation.

2. Literature review and development of hypotheses

2.1. Value co-creation

The recent literature on value creation coincides in seeing co-creation only from the production process perspective is out of the question. An understanding of value creation in the context of the customer's purchasing and consumption is necessary (Grönroos, 2008; Strandvik, Holmlund, & Edvardsson, 2012; Vargo & Lusch, 2004, 2008). In line with this proposal, customers are not passive objects of marketing actions but resources actively participating in the process.

Considering the different approaches to the value co-creation concept (Saarijärvi, Kannan, & Kuusela, 2013), from the perspective of dominant logic (Vargo & Lusch, 2004), the service is the fundamental unit of exchange. Customers' skills and knowledge affect the process of creation of value. Thus, value is a joint function of the actions of the supplier and the customer and always results from co-creation (Vargo & Lusch, 2008). "The perspective on value creation is extended as both firms and customers are inventing new and innovative ways to support each other's value-creating processes. These mechanisms shift the focus beyond the traditional exchange. Value co-creation as a business concept strives to capture this critically important and topical evolution where the boundaries between firms and customers become more blurred owing to the continuous redefinition of their roles" (Saarijärvi et al., 2013, p. 15).

2.2. Loyalty

Customer loyalty is a complex construct due to the different coexisting perspectives in its conceptualization (Majumdar, 2005). The general definition of loyalty is a commitment to repurchase a preferred product or service in such a way as to promote its repeated purchase. Loyal customers repurchase from the same service suppliers whenever possible, recommend those suppliers, and maintain a positive attitude toward them (Kandampully & Suhartanto, 2000).

According to the literature, two classes of loyalty exist (Baloglu, 2002; Kumar, Shah, & Venkatesan, 2006): behavioral and attitudinal. From the behavioral perspective, loyalty is a way of behaving. Repeated purchasing is a loyalty indicator.

Under the attitudinal approach, loyalty is a personal attitude in that different emotions make up the loyalty of consumers toward a product, a service, or a retailer. Even if customers do not repeat the purchase but recommend the services of their suppliers to other customers, the attitudinal loyalty is clear (Kursunluoglu, 2011). This situation refers to the customers' preferences for a supplier, their intention to purchase,

and their recommendation to third parties. Attitudinal loyalty does not guarantee that customers buy the products or services. However, word of mouth contributes to creating a positive image of the business. Behavioral loyalty is "a substantial element," whereas attitudinal loyalty is "a psychological construct" (Cheng, 2011). Much research indicates a positive relation between attitudinal loyalty and behavioral loyalty (Baldinger & Robinson, 1996; Dick & Basu, 1994).

When customers experience a strong involvement in the delivery of a service, they tend to use part of their time in seeking information (Beatty, Homer, & Kahle, 1988). If the service satisfies the customers, the purchase frequency increases while a reduction in the search for alternatives occurs (Yang et al., 2014).

Although different works indicate a description of loyalty through the mediating role of satisfaction (Lam, Shankar, Erramilli, & Murthy, 2004), the analysis of a possible direct influence between value co-creation and loyalty is a relevant consideration (Fig. 1).

Value co-creation may act as a kind of switching barrier—aside from satisfaction— influencing customers' loyalty directly.

H1. A positive relation exists between the customers' value co-creation behavior and their level of attitudinal loyalty with the service supplier.

H2. A positive relation exists between the customers' value co-creation behavior and their level of behavioral loyalty with the service supplier.

H3. A positive relation exists between the attitudinal loyalty of the customers toward their service supplier and their behavioral loyalty.

3. Empirical study

3.1. Method

First, because the development and validation of the measurement instrument is in English, appropriate procedures assure the equivalence of the meaning of the instrument in Spanish (Douglas & Craig, 1983). Initially, two bilingual professors whose specialization is in the knowledge area do the translation. Later, three other bilingual professors revise the translations, compare them, and discuss the differences of nuances. A professional psycholinguist translates the definitive version into English again (Brislin, 1986). The two versions in English—the original and the translation—turn out to be very similar, thus assuring the equivalence of meaning of the measuring instrument. Forty-four people

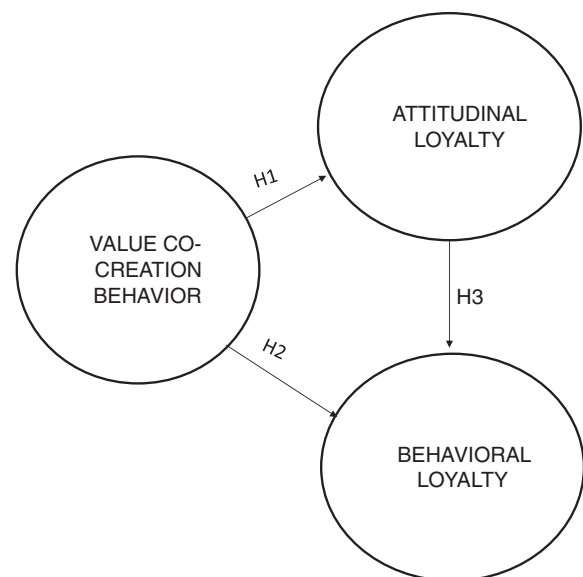


Fig. 1. Conceptual model.

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