Co-Creation as a Competitive Advantage: New Dimensions and Paradigms

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Abstract— With the increased competition in every business sector the term Co-Creation can play an important role for higher growth in business through customers. This research suggests platforms and implementation direction for using this tool in much better way. The research is conceptual in nature, which focuses on methodological engaging consumers. In previous researches co-creation is largely appreciated but systematic, practical approach and applicability have not been much focused. Research contributes a co-creation model which can be realistic to engage consumers effectively and efficiently. It also sheds light on the behavioural aspects of customers’ perception towards Co-Creation. The paper proposes constructs to providers for identifying the tendency to co-create and the level of customer’s participation. It can be helpful in designing policies and procedures to gain higher satisfaction, trust and loyalty from customer and develops it as strategic competitive advantage as well as help in enhancing Innovative ideas through customers. This research gives viewpoint on identifying and evaluating the hurdles in co-creating value. It proposes various perspectives for Co-Creation implementation and to use it as a Marketing Strategy and to develop competitive advantage

Index Terms— Innovative Co-Creation, Value Chain, Co-Creation Channel, Competitive Advantage

I. INTRODUCTION

Owing to business trends moving toward service economy and globalization, service trade is becoming a vital issue for many countries. Customer satisfaction and service quality are considered as a fundamental marketing framework to determine customer loyalty. Service Sector plays an important role in development and growth of any country. Co-creation provides forum for Customers and Firms to share combine and renew each other’s resources and capabilities to create value through new forms of interaction, service and learning mechanisms.

C.K.Prahalad and Venkat Ramaswamy introduced the concept of Co-Creation in their 2000 Harvard Business review article “Co-Opting Customer Competence” In co-creation customers is not just customizing, they are engaging with vendors to create value. In 2004, Prahalad and Ramaswamy kept on working on their original ideas; they use extensively the word “Value Co-Creation.

Co-created value arises in the form of personalised, unique experiences for the customer (Value-in-use) and ongoing revenue, learning and enhanced market performance drivers for the firm (Loyalty, relationship, customer word of mouth).

“Vargo and Lush in 2006 stated that Customers are always Co-Creators. Co-creation process involves interaction, involvement and engagement of customers. In today’s era every businessmen wants that customer should participate in new product development, because it develops loyalty and confidence in customer. Co-creation is widely accepted model for innovation and satisfactory concept. Payne et al. (2008) develops a process-based conceptual framework for managing value co-creation processes, with emphasis on the encounters between customers and suppliers. In this framework, firms may identify value-creating processes through the supply point of view, called supplier value-creating processes. The creation of value for customers by suppliers begins with an in-depth understanding of the customer’s value-creating processes. However, the types of value co-creation are largely contingent on the nature of their industry, their customer offerings and their customer base. Three types of value co-creation opportunities exist in this regard:

1) Opportunities provided by technological breakthroughs, especially as new technology solutions help create new ways for engaging with customers to co-create;
2) Opportunities provided by changes in industry logic, particularly the industrial conversion driven by the development of new channels for reaching customers
3) Opportunities provided by changes in customer preferences and lifestyles.

Co-creation reduces the risk factors in firms and industries. It involves higher intensity of customer engagement. Co-creation provides a newer ways of doing business. Through this customers can directly interact with firms and industries. It provides channel to customer to express their views. It involves various new-fangled ways of managing the creative chain. (Mills and Mooris 1986) see the customer as partial employees and (Goodwin 1988) realizes that customer’s participation may help in increasing quality.
II. CO-CREATION

Co-creation is a strategic tool that emphasizes the generation of mutual and ongoing realization of mutual firm-customer value. When the customers are engaged/willingly and unwillingly with the business process in any form by shared or personal resources, to provide meaningful output in the growth of the company, Co-creation reduces the risk factors in firms and industries. It involves higher intensity of customer engagement. Co-creation provides a newer ways of doing business. Through this customers can directly interact with firms and industries. From 2004 onwards, publications on value co-creation tend to flourish because of the resonance of Vargo’s and Lush’s ideas. Further important development
were published by (Gronroos 2008) asked, if customers are co-creators of value, what is the role of the firm? Are firm the main creator of value or what are they? Gronroos thinks that and understood, value-in-use is superior to value in exchange because customers add skills, knowledge and processes. Schrage (1995) stressed the need “for tools to analyse Co-creation”. Payne, Storbacka and Frow proposed a framework around value co-creation in the content of S-D Logic.

Co-creation helps in pull instead of push because when people create an idea due to this they became excited and committed to it due to which an opportunity comes where provider can actually interact in better way to customer. It helps in small businesses. Value co-creation as a key factor for service providers penetrating into new, foreign markets successfully. Co-creation will serve as a hub for the entire co-creation process from visioning, identifying, researching, implementing, donating and volunteering. It involves a major rethink on how business create value. It involves redefining of organisations in value creation. It is unleashing the creative energy of the people by inviting and enabling them to interact with them in different ways through their experiences.

Venkat Ramaswamy (2010) emphasizes Companies that have learned how to manage the process of creating unique value with customers and have developed engagement programs to generate sustainable growth. Suvi Nenonen and Kaij Storbacka (2010) said that Business models are defined as configurations of 12 interrelated elements. The effectiveness of a business model in value co-creation is defined by the internal configuration fit between all business model elements and external configuration fit between provider’s and customer’s business models.

“Co-creation is a customer made focussed aspect”. It is a platform for expanding, allowing the connections between public private and creative people. In co-creation, firm-consumer interaction is the locus and economic value extraction by the consumer. Customer showing interest in co-creation, people love to show off their creative skills and thinking, it provides tailored needs to customers. “Co-creation becomes global” it is a seismic shift in thinking from the industrial age mind set to people engagement mind set.

III. CURRENT STUDY

The current research proposes a new concept of Development of Co-Creation Model in Service Sector Industries. Co-Creation Model provides platform for the consumers, where they can engage with each other or with providers, using their personal or acquired resources, abilities and efforts to create and share value. The model that will be created would provide systematic framework for customer’s engagement. It works as a amalgamated bridge between a range of other organizational functions and the end consumers to co-create. The model will be helpful in developing effective management information system and help in boosting Consumer loyalty. This will optimize resources of provider and enhances the retention of consumer and employees. Co-Creation will act as a competitive advantage for businesses.

The process of ‘Co-creation’ with the consumers starts and develops in several stages. The consumer initiates with go through the product. The intensity of the interface chooses the degree of involvement. In this stage, the consumer develops a set of perceptions, expectations and opinions, views about the contribution. When these perceptive attributes prolong, they get re-enforced into beliefs and facts. The facts and beliefs are further converted into actions and deeds. This process of translation of thoughts into actions is called engagement. Now these actions can either be positive or negative depending on the consumer’s psyche developed in this process so far. Consumer engagement with the involvement of the firm becomes co-creation; otherwise it falls under the category of creation. This holds true for the negative side too, where, instead of co-creation, the consumer can co-destroy. By this he/she may destroy the relationship, brand image, clientele and even various processes. Consumers are classified according to the intensity of involvement and the likely chance of converting thoughts into actions. As we move from Leader to Watcher, the tendency of involvement and engagement reduces.

IV. MANAGERIAL IMPLICATIONS

For managers, the model provides a basis for developing appropriate co-creation aspect based on various strategies. It can be used for segmenting customers according to their views, ideas and expectations and provides better platform to co-ordinate with customers. This is market oriented approach for managers in new product development and helpful in managing business relationship with customers, supplier’s etc along with that exchange of views and ideas could be done effectively. More opportunities in business with limited resources will be identified. It is more customer oriented task which develops satisfaction and trust among customer. Co-creation model will become technological, so the managers could make more accurate decisions. The model will provide new-insights in managing various service-processes along with this development of all aspects of profitability in an organisation will be implemented. Further it will offer Social benefits in status and social admiration form, which motivates customer’s more to participate in Co-Creation. It will be advantageous to provide skills of maintaining communication among the firm and customers and will reduces the risk and costs, as well as sustainable competitive marketing strategy will be developed.
V. Conclusion

The concept of Co-Creation Model develops an integrated Outline between Consumers, Firm and Market to Co-CREATE efficiently and effectively with better platform to create a competitive advantage. Through model, effective channels of Co-Creation could be identified and meaningful Co-Creation could be done. In addition, reduction in the factor Risk and complications for both consumers as well as providers will be imparted along with this efforts can also be reduced. In the Globalisation and Competitive Era, Co-Creation Model will gain and empower the Value and Trust of Consumer. Effective Evaluation of Resources could be enhanced due to which optimization in resources factor could be implemented. Systematic change could be realized. It will impart over all development of society and firm’s environment. The Model can serve in every service sector to co-create and to develop sustainable competitive advantage strategy.

Way Forward

In building future enterprise, researchers believes co-creation is the way to go “co-creating” with the entire environment, but the co-creation only exists in literature, the practical approach of co-creation is not been implemented. After reviewing the papers, no study talks about the practical aspect of co-creation. Co-creation should be considered practically, the provider ought to understand the importance with respect to value creation aspect and to use it as a building block in developing competitive advantage as well as to build todays and upcoming enterprise. This research proposes different Dimensions of co-creation by including diverse perspective of service sector. The world economy nowadays is increasingly characterized, due to the increasing importance and share of the service sector in the economies, this shift in the service sector initiates the importance of customers, which can be

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Fig 2. Model showing Steps and Levels of Consumer Participation in Co-Creation
done through Co-Creation. So we suggest academicians, practitioners and researchers to inculcate the aspect of co-creation in the light of service sector environment.

Research Suggest the above model of co-creation, which will help in developing the competitive advantage and can be used as a tool in involving customers effectively and efficiently. By reviewing literature, the researchers found various review gaps in the existing literature of co-creation, literature only suggest the theoretical approach, no one suggested how the value can be enhanced and by what factors the customers can become a part of business. No study talks about the Co-Creation facilitating parameters, by what factors customers are attracted towards creation. The above model suggests some of the factors which can help to develop practical approach in creating value.

Researchers suggest various other factors which can help in developing the competitive advantage in service sector for industries. The factors which help to measure the tendency or magnitude of customers and employees to co-create can be: Transactions, Experience Evaluation, Probability of service cues in industry perspective. On the basis of customer-centric factors such as Culture, First time user Vs Repeat, Probability of Relationship Development and Customer Emotional Involvement. Firms must seek to engage people as active Co-Creators of value everywhere in the System. Customers take decisions to co-create on the basis of some characteristics. The researchers should concentrate on the characteristics such as Attractiveness of Action, Relevance of action and Fate of action in order to persuade and influence customers for more co-creations.

In any business, the customers can only become actual co-creators when the customer has proper way or channel to co-create, but in industries or in any business no effective channels are provided by the service provider through which customers can actually come in action to co-create. So the researcher suggests, formulating the effective Channels in Co-Creation, which will help in future development of business as to become competitive advantage.

The Researcher also suggests new dynamic phases of Co-Creation. Co-Creation can be identified and analysed into Three Phases: 1) Initiation 2) Implementation 3) Evaluation. Whereas paper suggests, evaluating and identifying the various efficient Platforms through which customers engage effectively to co-create among every sector of business. Consumers will co-create only when they have ease or comfort and the smaller track in co-creation process, then only they will show interest. So the researcher also suggests to identify and evaluate hurdles (Both Internal and External Hurdles) which causes hindrance in Co-Creation and by removing the hurdles, the smooth and effective co-creation could be enhanced and can attain competitive advantage. If customers can Co-create, customers can also Co-destruct. Researcher suggests identifying the nature of Co-destruction.

REFERENCES