

Co-creation Processes and Engagement Development: A Conceptual Approach

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Abstract

Recent developments in relationship marketing academic literature have showed the importance of value configuration (Vargo & Lusch, 2004; Prahalad & Ramaswamy, 2004). This approach states the customer experience as the basis of value, founded in premises as “the customer as co-producer” (Vargo & Lusch, 2004, 2006) and “co-creation of value” (Prahalad & Ramaswamy, 2004), highlighting customer crucial role in value creation processes.

Regarding this approach, the present paper aims to offer first insights about co-creation process measuring in online environments as well as analysing the relationship between customer participation in co-creation processes and the development of deep engagement feelings towards the brand and the firm. The research proposes a theoretical framework that posits the importance of personalization and interaction as dimensions of value co-creation in online environments, as well as the role of customer participation in co-creation of value to generate deeper customer engagement with the brand. Research and managerial implications are presented.

Introduction

Research and practice in Marketing have evolved towards a relational approach, where satisfying consumer needs leads to a continuous dialogue with them and interaction during the design, production and distribution process. Furthermore, customers play an active role in value creation process instead of being a passive actor that buys products that firms locate in the market. This approach based on “the customer as co-creator of value” and his/her implication in production and commercialisation processes has been called **co-creation** (Prahalad and Ramaswamy, 2004; Vargo and Lusch, 2004). This perspective positions the customer experience as the basis of value, founded in premises as “the customer as co-producer” (Vargo and Lusch, 2004, 2006) and “co-creation of value” (Prahalad and Ramaswamy, 2004), highlighting customer crucial role in value creation processes. Despite the conceptual development of these ideas, there are scarce empirical contributions about the topic.

This new focus joined to the development of IT as well as evolution of new interactive applications (VoIP, online interactive video...) has allowed more sophisticated websites and online markets. Moreover, website is a propitious environment to develop behaviours and relationships hedonic-oriented (Childers et al., 2001). Therefore, website facilitates interaction with customers that leads to tight customer-firm relationships.

An emerging concept related to online environments and the social web is the concept of engagement. According to The Advertising Research Foundation, engagement “is turning on a prospect to a brand idea enhanced by the surrounding context”. This concept has been

adopted for practitioners as the term used mainly in online environments that it is believed to deliver competitive advantage and creation of “loyalty beyond reason” (Roberts, 2005). Current academic research has conceptualized engagement as “a cognitive and affective commitment to an active relationship with the brand as personified by the website of other computer-mediated entities designed to communicate brand value” (Mollen and Wilson, 2009). This new focus in engagement related to experiential states is still underdeveloped in the academic literature.

The present paper aims to offer first insights about co-creation process measuring in online environments as well as to analyze the relationship between customer participation in co-creation processes and the development of deep engagement feelings towards the brand and the firm. We present a theoretical framework that positions personalization and interaction as key dimensions of value co-creation in online environments, as well as the role of customer participation in co-creation of value to generate deeper customer engagement with the brand and the firm.

Theoretical Framework

2.1 Value and value creation

The concept of value has been repeatedly discussed by academics in different disciplines. Adam Smith (1776) discussed value and value creation concepts from an economic perspective of market exchange. According to him, there were two different types of value: “value in use” and “value in exchange”.

Inherited from this economic perspective, the goods-dominant logic has been a predominant perspective over the last years. This perspective mainly centred in the product and distribution of commodities understands value as “value in exchange” (Vargo, Maglio and Akaka, 2008). According to that, the manufacturing process that transforms outputs into final products generates value. Services are considered as enhancers of value or adds-on to products (Vargo and Lusch, 2008).

Opposed to that perspective there is a growing trend of considering value configuration from a “value in use” perspective, in terms of operant resources (processes) instead of operand resources (outputs). This recent and challenging perspective called the service-dominant logic considers service as the fundamental basis of exchange, being goods merely distribution mechanisms for service provision (Vargo and Lusch, 2004). Other foundational premises of this approach are those related to value configuration. In this sense, the customer is always considered a co-creator of value, so the role of the firm is limited to offer value propositions. Consistent with this perspective, other authors have developed conceptual approaches as value co-creation (Prahalad and Ramaswamy, 2004), Service Science as new discipline (Spohrer and Maglio, 2008), customer participation in production processes (Bendapoudi and Leone, 2003), customer empowerment (Shankar, 2006)...

Prahalad & Ramaswamy (2004) define co-creation in the context of experiential marketing as “the process that allows the individual consumer to determine the design of future products and services, marketing messages and distribution channels where the products will be available”. This new approach is based on the statement “customer as value creator” (Vargo and Lusch, 2004) and develops the “prosumer” feature (Prahalad and Ramaswamy, 2004), as a proactive consumer that is part of value creation of the firm and plays an active role in development, design and distribution of product.

The expansion and progress of information technologies (IT) has favoured a well-informed consumer that not only looks for products but for experiences related to the product consumption. According to that, individuals would not look for “pre-fabricated” interactions

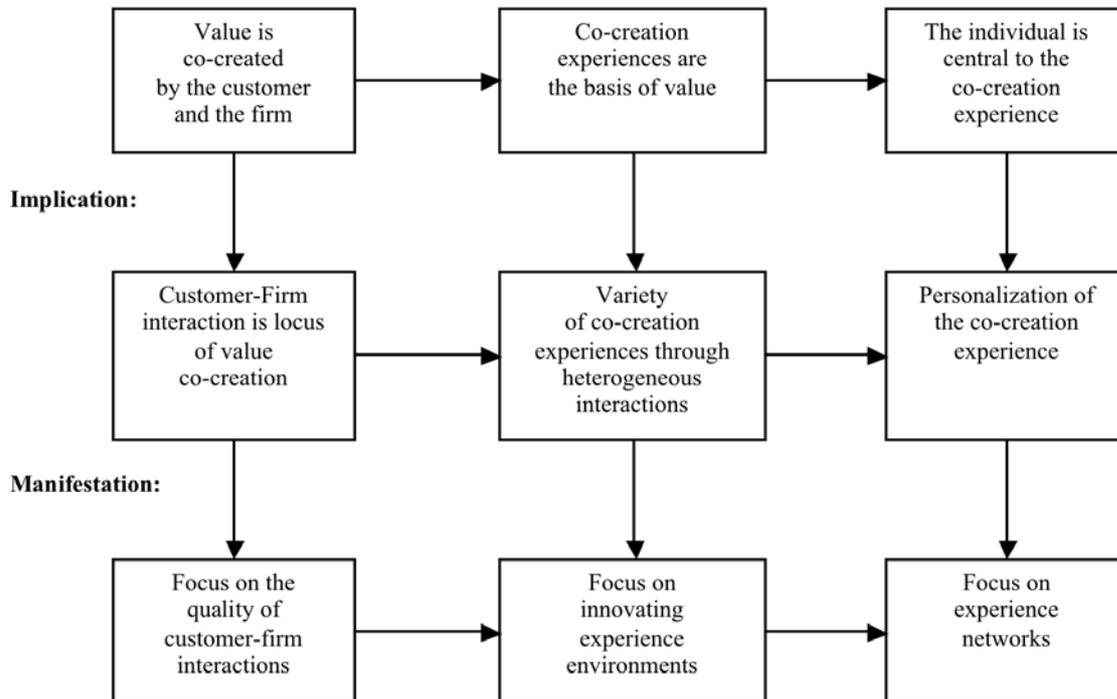
developed by the firm, looking for designing a personalised experience and sharing it with other individuals instead.

In this context, Prahalad and Ramaswamy (2004) developed a set of issues to take into account in the co-creation framework as seen in figure 1.

Figure 1

NEW FRAME OF REFERENCE OF VALUE CREATION

Premise:



Source: Prahalad and Ramaswamy, 2004.

From this perspective it is relevant to highlight the key aspects of value co-creation: focus in customer-firms interactions, experience environments and personalization of the consumption experience. We believe that this approach deserves significant attention in online environments to enhance consumer experience using tools that favour personalization and interaction aspects.

2.2 The concept of Engagement

Engagement concept has been developed in Organizational Behaviour, Advertising and E-learning fields. It is relevant to highlight that its conceptualisation is quite recent, which implies that contributions to the academic body of knowledge are scarce and mainly theoretical. As discussion about this topic in Academia is still quite new, there are few works that have approached it empirically.

From the perspective of Business Administration literature, engagement is related to employee's compromise with the firm, and has been used as measure of firm's financial results (Sacks, 2006). Different definitions regarding this approach have enhanced that behaviours that generate engagement processes in employees are shown either in a cognitive or an emotional way (Schaufeli et al., 2002; Hardaker and Fill, 2005).

E-learning literature has conceptualised engagement as the link between knowledge or intrinsic interest and external stimuli that promotes initial interest and desires of continuous learning (Jones, 1998). From this perspective key aspects related to engagement that have been analyzed are: involvement and learning as a cognitive process (Jones, 1998), holistic implication and cognitive process (Herrington, Oliver and Reeves, 2003), and interaction, continuous cognitive effort, concentration and active learning (Guthrie et al., 2004). Overall, e-learning literature emphasizes the idea of engagement as a cognitive process linked to individual motivational issues as concentration, reasoning and active learning.

A third perspective has been approached from advertising discipline, being defined as the strength of firm-customer relationship based on the construction of emotional and rational bonds with the brand (McEwen, 2004). Other works have conceptualised engagement using as starting point The Advertising Research Foundation's (ARF) definition (Wang, 2006): "turning on a prospect to a brand idea enhanced by the surrounding context".

Regarding this approach, engagement process has been defined as a mental state that implies the existence of cognitive processes, a relationship with satisfaction of consumer perceived usefulness, and the presence of an emotional relationship (Mollen and Wilson, 2009). Other authors have established direct relations with advertising effectiveness (Calder et al., 2009), with brand attachment (Spratt et al., 2009) and its role in value creation processes (Higgins and Scholer, 2006). This view has been recently expanded to the online consumer experience context.

Proposal of Conceptual Framework

According to the literature review, this work presents the following propositions:

Proposition 1: Co-creation processes can be defined from personalization of consumption experience and interaction (interactivity) that occurs during the mentioned consumption experience.

Personalization as variable related to consumer behaviour has been considered by practitioners as a relevant issue over the last two decades. Development of IT has notably increased personalization possibilities, as IT facilitates gathering and processing of information (Vesanen, 2007). Nevertheless, personalization concept has been used in different contexts to nominate dissimilar questions. Due to that fact, this term presents difficulties of application and implementation, as its content varies depending on the kind of business referred.

Another issue that has influenced over personalization conceptualisation is the existing relationship with the term customization. Peppers et al. (1999) define personalization as adaptation of product applications or attributes depending on the characteristics of expected benefits by the customer. Customization implies the treatment of customers as different individuals based on previous interactions. According to that, personalization is carried out by the firm depending on content categorizations and customer profile coincidences while customization is carried out by the individual itself (Cöner, 2003). Following this strand, Vesanen (2007) proposes different levels of personalization from marketing of segments to what he nominates collaborative personalization.

Trying to distinguish between personalization and customization, Wind and Rangaswamy (2001) define personalization as marketing one to one, understanding it as every action started by the firm to adapt its marketing strategy to the customer. Whereas, customization is

understood as a process that is started by the customer in order to adapt the product to its own needs. Apart from define these concepts, the former authors include a new term “Customerization” (Customization + Personalization), considered as the greater level of personalization that implies creation and design processes being carried out by the firm and the customer together. Thus, customer plays a key role on firm’s offer configuration as well as in the development of R&D strategies, turning on an active co-producer or “associate” (a similar approach is followed by Prahalad and Ramaswamy).

In this sense, we believe that personalization of product or service steered by consumer, contributes to consumption experience personalization and it is relevant in online environments where there is no physical presence to enhance positive experiences and customer involvement and participation in value creation processes.

Regarding **interactivity**, from the original Rafaeli (1998) definition, this concept has experienced great evolution. There are many studies focused in the importance of technological attributes (Newhagen et al., 1995), while others analyze user perceptions (Schneiderman, 1987; Wu, 2000). This variety of definitions shows the need of an integrative effort in order to take into account multidimensionality of this variable. In this sense, it is remarkable Kiousis (2002) contribution, which analyzes communication and non-communication approaches considering technological issues related to communication and users perceptions. So, interactivity refers to the degree in which a communication technology allows designing a pre-stated environment, where participants have the chance of interchange messages as well as communicate synchronous and asynchronously with one or more people at the same time.

At present time, an important research strand pinpoints that it cannot be analyzed individual processes and applications (McMillan and Hwang, 2003), but it is necessary to deepen into user’s perceptions and experiences (Lee, 2000). It is worth to remark McMillan and Hwang (2002) development of a scale of 18 items to measure perceived interactivity taking into account relevant factors from academic literature: user control, responsiveness, extent of dialogue between consumer and manufacturer, customer involvement, time required for interaction, speed, feedbacks and multimedia issues among others.

In this context, we consider that interactivity understood as a socializing process (with the firm and with other customers), is a relevant variable in co-creation processes. Interaction with other customers and the firm is a valuable source of information exchange, experiences sharing and identification with others, activities that contribute to increase participation intentions and value perceptions.

Proposition 2: Personalization is a source of intrinsic value to consumers.

According to Holbrook (1994) conceptualisation of customer value, intrinsic value reflects when the consumption experience is appreciated for its own sake. In this sense, we consider that personalization of consumption experience can be considered as an intrinsic dimension in the sense that the consumer is able to tailor his/her own experience to his/her needs.

Proposition 3: Interactivity is a source of extrinsic value to consumers.

Extrinsic value is considered when the product or consumption experience serves as means to some further end. Interactivity understood as interaction with others is a source of extrinsic value as it allows the achievement of other ends (experience-sharing, information, group identity...).

Proposition 4: Intrinsic and extrinsic value constitutes experiential value or consumption experience of consumers.

Aligned with the Theory of consumption values, we define value as “an interactive relativistic preference experience” (Holbrook, 1994). Value definition as an interactive process based on firm-customer relationship is supported by different authors in the relational marketing

context (Grönroos, 2000; Gummesson, 1998) and also in extensions of this paradigm as the service dominant logic (Vargo and Lusch, 2004).

Other research lines that have worked with the premise of consumption experiences as source of value are hedonic consumption motivations (Hirschman y Holbrook, 1982, 1983), in marketing practice (Pine and Gilmore, 1999), relationship of marketing with postmodernist foundations (Firat, Dholakia and Venkatesh, 1995) and the concept of Co-creation itself. Regarding this approach, Prahalad and Ramaswamy (2000) stated “to provide personalized experiences, companies must create opportunities for customers to experiment with and then decide the level of involvement they want in creating a given experience with the company”. According to this, we consider that both personalization as intrinsic value and interactivity (interaction) as extrinsic value constitute two key variables in co-creation of consumer experiential value.

Proposition 5: Co-creation processes of experiential value generate consumer engagement with the brand/firm.

Lastly and aligned with existing research works, we suggest that co-creation processes, as personal and interactive, ease generation of engagement feelings with the brand. This approach is consistent with recent research that relates interaction with engagement generation (Schau et al., 2009) and the relevance of brand communities as driving forces in co-creation processes (O’Hern and Rindfleisch, 2007).

Conclusions

The conceptual model developed in the present work pretend to contribute to the existing discussion about value co-creation processes and engagement generation. We believe that this work offers a conceptual framework that, in line with current academic discussions about the topic, highlights the importance to understand value creation from experiences and the critical role of interactions between customer and with the firm to generate engagement and long-term relationships.

This approach is especially relevant in relational marketing field, as it offers a more expanded vision of this paradigm. From this point of view, the firm is not only focused in retention of existing customers but in new customer and consumer communities’ attraction (Vargo and Lusch 2004, 2006, 2008; Prahalad and Ramaswamy, 2000, 2004).

This work shows the importance of deepen in co-creation processes study and states its theoretical relationship with engagement generation. Based on Consumption Values Theory (Holbrook, 2006), we propose a conceptualization of value co-creation taking as starting point two variables that provide intrinsic and extrinsic value: personalization and interactivity (interaction with other individuals and the firm). It is also proposed that, from the experiential value co-created engagement with the firm is achieved, which means that the firm benefits from a more involved and committed customer and better long-term relationship.

A framework of relationship between constructs is thus suggested, contributing to the future development of empirical research related to current academic discussion in terms of the need to focus attention in the customer experiential value phenomena.

This work has also managerial implications, especially for online environments as it offers an integrative perspective to manage customer participation in value co-creation processes. Our paper suggests as well a new approach that it is relevant to design communication strategies in online media. It highlights the importance of joint management of online tools that facilitate interaction with the customer and within customers: blogging, virtual consumer communities, social web...It is noteworthy that the customer has to perceive that the participation is genuine and that its implication adds value to the same customer and to the firm.

In this sense, firms should adopt a dialogical approach to manage relationships in online environments and offers theoretical insights about key dimensions to generate a genuine experience and motivate customers to engage in value co-creation processes. We believe that personalization and interactivity during the consumption experience are key aspects to achieve customer participation and subsequent value co-creation.

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