



## Co-creating value between retail consumers and retailers

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### Abstract

This paper explores the concept of co-creating value between retail consumers and retailers. Co-creation of value is a collaborative process where consumers and retailers work together to create value for both parties. In the context of retail, co-creation of value involves the exchange of information, knowledge, and resources to develop products and services that meet the needs and preferences of consumers.

The paper first provides a comprehensive overview of the concept of value co-creation, including its historical development and theoretical foundation. Then, it focuses on the specific context of retail and the factors that enable and hinder co-creation of value between consumers and retailers. The paper also examines the various strategies that retailers can use to foster co-creation of value with consumers, such as customer feedback, crowdsourcing, and social media engagement. It concludes by highlighting the benefits of co-creating value for both consumers and retailers, including improved customer satisfaction, increased loyalty, and higher profitability. It also offers practical implications for retailers on how to successfully implement co-creation of value strategies and improve their relationship with customers.

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### 1. Introduction

In today's highly competitive retail environment, it is essential for retailers to provide products and services that meet the needs and preferences of consumers. However, the traditional model of retail, which focuses on the production and sale of goods and services, may not be enough to achieve this goal. As a result, many retailers have turned to co-creation of value, a collaborative process where consumers and retailers work together to create value for both parties. Co-creation of value has been defined as "the joint creation of value by the company and the customer through the use of technology, processes, and relationships" (Prahalad and Ramaswamy, 2004). The concept of co-creation of value has its roots in the service-dominant logic of marketing, which emphasizes the importance of co-creating value with customers.

In the context of retail, co-creation of value involves the exchange of information, knowledge, and resources to develop products and services that meet the needs and preferences of consumers. Retailers can leverage the insights and feedback of consumers to improve their products and services, which can ultimately lead to increased customer satisfaction and loyalty.

### 2. Literature Review

Co-creation of value has gained increasing attention in the marketing literature over the past two decades. Prahalad and Ramaswamy (2004) introduced the concept of co-creation of value as a means of creating value for both customers and companies. They argued that the traditional model of value creation, which focuses on the production and sale of goods and services, is no longer sufficient in today's highly competitive market. Since then, several studies have explored the concept of co-creation of value in various contexts, including healthcare (Vargo and Lusch, 2008)<sup>[7]</sup>, tourism (Zhang *et al.*, 2014)<sup>[9]</sup>. In the context of retail, co-creation of value involves the exchange of information, knowledge, and resources between consumers and retailers to develop products and services that meet the needs and preferences of consumers.

One of the key drivers of co-creation of value in retail is the emergence of digital technology and social media platforms. Digital technology has transformed the way retailers interact with customers, allowing them to engage with consumers in real-time and gather feedback on their products and services. Social media platforms have also enabled retailers to connect with consumers on a more personal level, creating opportunities for co-creation of value.

Several studies have explored the factors that enable and hinder co-creation of value in retail. For example, Lusch and Vargo (2006) <sup>[7]</sup> identified four key factors that enable co-creation of value: customer knowledge, customer experience, customer access, and customer involvement. These factors are critical to the co-creation of value process, as they allow retailers to better understand their customers' needs and preferences and develop products and services that meet those needs. Several factors can hinder the co-creation of value process, including lack of trust between consumers and retailers, lack of communication, and conflicting goals and objectives (Bardhi and Eckhardt, 2012) <sup>[1]</sup>. These factors can prevent retailers from effectively collaborating with consumers and hinder the development of products and services that meet the needs and preferences of consumers.

To foster co-creation of value in retail, several strategies have been proposed in the literature. One strategy is customer feedback, which involves soliciting feedback from customers on their experiences with products and services. This feedback can be used to improve existing products and services or develop new ones that better meet the needs and preferences of consumers. Another strategy is crowdsourcing, which involves soliciting ideas and feedback from a large group of people, typically through digital platforms. Crowdsourcing can be used to develop new products, services, and marketing campaigns that are more responsive to the needs and preferences of consumers.

Enabling co-creation of value in retail is customer knowledge. Retailers that have a deep understanding of their customers' needs and preferences are better equipped to develop products and services that meet those needs. This requires retailers to gather and analyze data on their customers, including their demographics, buying habits, and preferences.

Customer experience is also a critical factor in enabling co-creation of value. Consumers are more likely to participate in the co-creation of value process when they have a positive experience with a product or service. This requires retailers to focus on providing excellent customer service, creating a seamless shopping experience across different channels, and building strong relationships with their customers. Customer access is another factor that enables co-creation of value. Consumers are more likely to participate in the co-creation of value process when they have easy access to products and services. This requires retailers to make their products and services available through multiple channels, including brick-and-mortar stores, online platforms, and mobile applications.

Customer involvement is a key factor in enabling co-creation of value. Consumers are more likely to participate in the co-creation of value process when they are given the opportunity to provide input and feedback on products and services. This requires retailers to create open channels of communication with their customers, such as customer feedback forms, social media platforms, and customer service hotlines. In addition

to these factors, trust is a critical element in enabling co-creation of value in retail. Consumers are more likely to participate in the co-creation of value process when they trust retailers to act in their best interests. This requires retailers to be transparent and honest in their interactions with customers and to build a strong reputation for reliability and integrity. These factors enable retailers and consumers to work together to create products and services that better meet the needs and preferences of customers. By embracing co-creation of value, retailers can build stronger relationships with their customers, enhance customer loyalty, and gain a competitive advantage in the retail marketplace. However, successful implementation of co-creation of value requires retailers to invest in technology, gather customer knowledge, focus on customer experience and access, involve customers in the value creation process, and build trust with their customers.

## 2.1 Strategies for Co-Creation of Value

Retailers can use several strategies to foster co-creation of value with consumers (Payn, 2008). One strategy is to solicit feedback from customers on their experiences with products and services. This feedback can be used to improve existing products and services or develop new ones that better meet the needs and preferences of consumers. Another strategy is crowdsourcing, which involves soliciting ideas and feedback from a large group of people, typically through digital platforms. Crowdsourcing can be used to develop new products, services, and marketing campaigns that are more aligned with the preferences and needs of consumers. By tapping into the collective intelligence of a diverse group of people, retailers can generate innovative ideas and solutions that would not be possible with a smaller group of individuals.

Collaborative partnerships with customers are also a powerful strategy for co-creation of value. Retailers can work with customers to co-design products or services, such as personalized products or customized services. By involving customers in the design process, retailers can better understand their needs and preferences and create products and services that are more tailored to their specific requirements. Another strategy for co-creation of value is to leverage the power of social media and digital platforms. Retailers can use social media to engage with customers, solicit feedback and ideas, and promote co-creation of value initiatives. Social media platforms also offer a space for customers to connect with each other and share their experiences, providing valuable insights into customer preferences and needs.

Open innovation is another strategy that retailers can use to foster co-creation of value (Mahr, 2014) <sup>[5]</sup>. This involves partnering with external stakeholders, such as suppliers, academics, and other organizations, to develop new products or services. By collaborating with external stakeholders, retailers can access a broader range of expertise and resources, generating innovative ideas and solutions that can enhance value creation for both the retailer and the consumer. Co-creation of value can be fostered through the development of communities of interest around a particular product or service. These communities can be virtual or physical and bring together individuals with shared interests and values around a particular product or service. Retailers can use these communities to engage with customers, co-create value, and build brand loyalty. In addition to these strategies, successful

co-creation of value requires a commitment to transparency, trust, and collaboration (Gummerus *et al.*, 2012) [3]. Retailers must be willing to share information and insights with customers, listen to their feedback and ideas, and work collaboratively with them to create value. This requires a culture of openness and a willingness to embrace change and innovation.

In conclusion, co-creation of value is an increasingly important strategy for retailers looking to enhance customer loyalty, drive innovation, and gain a competitive advantage in the retail marketplace. By leveraging the power of technology, collaborating with customers, and fostering a culture of openness and collaboration, retailers can co-create value with their customers, generating innovative ideas and solutions that meet the needs and preferences of consumers. Ultimately, the successful implementation of co-creation of value requires a deep understanding of customer needs and preferences, a willingness to listen and collaborate, and a commitment to building strong, long-term relationships with customers.

### 3. Limitation of research

While this paper provides a comprehensive overview of the co-creation of value between retail consumers and retailers, there are several limitations to this research that should be noted.

First, the focus of this paper is primarily on the perspectives of retail consumers and retailers in developed countries, which may not be representative of the experiences and challenges faced by consumers and retailers in emerging markets. Further research is needed to explore the co-creation of value in different cultural and economic contexts. Second, the strategies for co-creation of value outlined in this paper are not exhaustive, and there may be other effective strategies that have not been explored. Future research could investigate additional strategies for co-creation of value and evaluate their effectiveness. Third, while the benefits of co-creation of value for retail consumers and retailers are well-documented, there is limited research on the impact of co-creation of value on other stakeholders, such as suppliers and employees. Future research could investigate the impact of co-creation of value on these stakeholders and explore how to achieve a balance between creating value for all stakeholders. Finally, the effectiveness of co-creation of value may be influenced by external factors, such as economic conditions and competitive forces, which are beyond the control of retail consumers and retailers. Future research could investigate the role of these external factors in the co-creation of value process and explore how retail consumers and retailers can adapt their strategies to these conditions.

### 4. Conclusion

In today's rapidly changing retail landscape, co-creation of value has emerged as a powerful strategy for retailers looking to build strong, long-term relationships with customers, drive innovation, and gain a competitive advantage. Through co-creation of value, retailers can tap into the knowledge and expertise of their customers to develop products and services that meet their needs and preferences.

The availability of technology and digital platforms has made it easier than ever for retailers to engage with customers and co-create value. Social media platforms, in particular, have provided a space for retailers to connect with customers, solicit feedback and ideas, and promote co-creation of value

initiatives. Moreover, the changing role of consumers in the retail process has created new opportunities for co-creation of value, with consumers increasingly willing to participate in the value creation process and share resources with retailers.

To foster co-creation of value, retailers can use several strategies, such as customer feedback, crowdsourcing, collaborative partnerships, social media engagement, open innovation, and the development of communities of interest. These strategies allow retailers to involve customers in the design and development of products and services, generate innovative ideas and solutions, and build strong, long-term relationships with customers.

In conclusion, co-creation of value is a collaborative process that involves the exchange of information, knowledge, and resources between retail consumers and retailers. By leveraging the power of technology, collaborating with customers, and fostering a culture of openness and collaboration, retailers can co-create value with their customers, leading to improved customer satisfaction, increased loyalty, and higher profitability for retailers. As such, co-creation of value is a critical strategy for retailers looking to succeed in today's highly competitive retail marketplace.

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