BRAND VALUE CO-CREATION:
TOWARDS A MULTIPLE STAKEHOLDER PERSPECTIVE

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ABSTRACT

Co-creation is not a new phenomenon. However, it has not gained widespread attention in the field of brand management until the current stakeholder-focus branding era, in which multiple social and economic actors integrate their resources together with the firm in order to co-create value. This paper reviews the literature on brand value co-creation, describing its origin and evolution, with the aim of detecting future research opportunities.

Keywords: brand management; value co-creation; multiple stakeholders.

1. INTRODUCTION

Brand management has evolved from a product-centric viewpoint to conceptualising brands as social processes where multiple stakeholders integrate their resources in order to co-create value (Merz et al., 2009). The emergence of this new approach has created the need to study how is value co-created between the firm and its stakeholders (Brodie, 2009; Frow and Payne, 2011; Hatch and Schultz, 2010). However, academics have mainly focused on empirically studying the value co-creation process from the customers’ point of view (Ind et al., 2013). Thus, there is an opportunity to complement this customer perspective - and thereby build on the multiple stakeholder approach – by adopting a managerial viewpoint. Accordingly, this paper detects the need to empirically investigate the value co-creation process, as well as the main barriers and challenges that it entails, from the managerial viewpoint. Furthermore, it emphasizes the necessity to empirically study which is the corporate culture, and subsequently the type of leadership needed to support and foster the value co-creation process, also from the managerial perspective.
2. LITERATURE REVIEW

2.1. The origin and evolution of value co-creation.

Co-creation is the future of innovation (Prahalad and Ramaswamy, 2003). However, it is not a new phenomenon (i.e. Bendapudi and Leone, 2003). Its origins date back to the preindustrial era, where consumers of the goods market decided what and how was to be produced by the artisan (Wikström, 1996).

In the industrial era, however, co-creation was mainly present in the business-to-business market, whereas in the consumer goods market co-creation lost its prevalence in favour of the mass-production, as products became more standardised in order to achieve greater cost advantages (Wikström, 1996). In such a mass-production approach, consumers were considered to be detached from the value creation process (i.e. Vargo and Lusch, 2004). Thus, the act of production was seen as clearly separated from the act of consumption (i.e. Harwood and Garry, 2010; Ojasalo, 2010). Accordingly, the firm exerted a unilateral role in the value creation process (i.e. Grönroos, 2000). This value was perceived to be embedded in the products themselves (i.e. Ojasalo, 2010; Prahalad and Ramaswamy, 2004), and thereby transmitted to the customer by means of exchange (value-in-exchange perspective) (i.e. Harwood and Garry, 2010).

Nevertheless, with the emergence of the post-industrial era, consumption patterns started to be increasingly heterogeneous, unpredictable and uncontrollable by companies (Dholakia and Firat, 1998), limiting the ability of the mass-production logic
to satisfy the idiosyncratic needs of the customers. The environment of this post-industrial era is *grosso modo* characterised by: decentralised organisations, online communities, Web 2.0 (Füller et al., 2009), fast and flexible new production facilities, and rapid evolution of information technologies (Wikström, 1996). Such an environment enables a greater interaction – in both scope and intensity - between firms and customers, which allows co-creation to regain its prevalence in the consumer goods market (Wikström, 1996). Accordingly, the informed, networked, empowered and active customers of the post-industrial era seek to participate in every stage of the value creation process, in order to co-create value together with the firm (Prahalad and Ramaswamy, 2004).

Thus, the perception of *how* value is created has changed from a product-centric orientation that was dominant in the industrial era, to a value co-creation perspective that is now supported in the post-industrial era (i.e. Harwood and Garry, 2010; Ojasalo, 2010; Prahalad and Ramaswamy, 2003, 2004).

**2.2. Value co-creation in the post-industrial era.**

In the current post-industrial era, the service-dominant logic (Vargo and Lusch, 2004, 2008) is the prevalent marketing paradigm. Within this paradigm, the customer is considered to always be a co-creator of value (Vargo and Lusch, 2008), regardless of the nature of the business – either goods or services. As a matter of fact, a foundational premise of the service-dominant logic is that service is not only present in services businesses, but also in the exchange of goods (Vargo and Lusch, 2004, 2008). As service - by its nature - entails dialogue, interactions and relationships among the
different actors involved (Vargo and Lusch, 2004; Vargo et al., 2008), it is patent that the service-dominant logic encompasses the relationship marketing approach.

Relationship marketing proposes that firms aim at generating and maintaining long-term, mutually satisfying relationships not only with the customers, but also with the rest of stakeholders (i.e. Rowley et al., 2007). Through these relationships, all these actors integrate their operant resources (Lusch and Vargo, 2006; Vargo and Lusch, 2008). There are three types of operant resources: physical, social and cultural (Baron and Harris, 2008). First, the physical resources include the corporeal and mental endowment, such as energy, emotions and strength. Second, the social resources involve family relations, consumer communities and commercial relationships among the actors. Finally, the cultural resources involve special knowledge and skills, history, and imagination.

Actually, value co-creation is the result of the interactions between firms and active customers, during which they combine and integrate each other’s resources (Vargo et al., 2008). Nowadays, these interactions fundamentally take place in brand communities. A brand community is composed by the admirers of a brand who co-create value by sharing their personal or impersonal experiences with the brand (McAlexander et al., 2002; Muniz et al., 2001). All brand communities share the characteristics of: (1) common consciousness, (2) rituals and traditions, and (3) sense of moral responsibility (Muniz et al., 2001). However, there are certain differences on value co-creation between online and offline brand communities, especially regarding the way of customer involvement.
2.2.1. Value co-creation in online brand communities.

On the one hand, online brand communities are part of virtual communities. Rheingold (1993, p.7) first introduced the term of virtual community and defined it as “social aggregations that emerge from the Net when enough people carry on those public discussions long enough, with sufficient human feeling, to form webs of personal relationships in cyberspace”. These communities are not geographically bounded (McAlexander et al., 2002; Muniz et al., 2001), meaning that customers from whatever part of the world can participate in the aforementioned discussions (Harwood and Garry, 2010). Among the different reasons for customer participation in these discussions, Nambisan and Nambisan (2008) suggest four types of experiences that customers pursue to have: (1) pragmatic, (2) sociability, (3) usability and (4) hedonic. First, the pragmatic experience consists of acquiring information about the product or service. Second, the sociability experience involves maintaining a dialogue within the community and forming a social identity. Third, the usability experience is defined by the quality of the human-computer interactions. Finally, the hedonic experience is the one that mentally stimulates or entertains customers.

2.2.2. Value co-creation in offline brand communities.

On the other hand, offline brand communities provide a social structure to the relationships between firms and customers (Hatch and Schultz, 2010), as well as a physical setting where these relationships take place. Thus, customer discussions here are geographically bounded, and thereby the number of customers involved tends to be lower compared to the online brand communities. Offline community activities mainly
include: engagement, social networking and information sharing, not solely among the customers themselves, but also between the customer community and the firm (Hatch and Schultz, 2010). During such activities, knowledge is produced among all the actors involved in the community (Gummesson and Mele, 2010). By interacting, these actors combine their financial, human, technical, physical and other resources, aiming at building their social capital, which turns into the basis of value co-creation and competitive advantage achievement (Gummesson and Mele, 2010).

Up to this point, we have conceptualized co-creation in the post-industrial era and under the prevalent marketing paradigm of the service-dominant logic, observing that most scholars agree that value is co-created between the firm and its customers during their interactions (i.e. Prahalad and Ramaswamy, 2004) in online or offline brand communities. However, the nature of value still remains unclear (i.e. Grönroos and Voima, 2013).

2.2.3. Reconciling the misleading approaches on value creation.

On the one hand, the service-dominant logic proposes that the firm and the customers are always co-creators of value (Vargo and Lusch, 2008). On the other hand, the service-dominant logic also suggests that value can only be determined by the customers themselves (Vargo and Lusch, 2004, 2008). In order to reconcile these misleading approaches, Grönroos and Voima (2013) propose three value creation spheres: (1) the provider sphere, (2) the customer sphere, and (3) the joint sphere.
2.2.3.1 The provider value creation sphere.

First, in the provider sphere, there is no direct interaction between the firm and the customers, implying that the production process is closed to the firm. As value cannot be created without the presence of the customers (i.e. Grönroos and Voima, 2013), the firm may only act as value facilitator (i.e. Grönroos, 2008, 2011) in this sphere. Namely, the firm can solely offer potential value to the customers through the value propositions that it makes (i.e. Grönroos and Voima, 2013; Vargo and Lusch, 2008).

2.2.3.2. The customer value creation sphere.

Second, in the customer sphere, value is created through the value-in-use approach (i.e. Ballantyne and Varey, 2008; Grönroos, 2008; Ravald and Grönroos, 1996; Vargo and Lusch, 2004, 2008; Wikström, 1996). In this approach, customers turn the potential value facilitated by firms into real value, which derives from the personalised experiences that customers accumulate during the consumption process of the offering (i.e. Grönroos, 2008, 2011, Grönroos and Voima, 2013; Prahalad and Ramaswamy, 2004; Xie, 2008). Thus, the determination of value becomes contingent on the experience clues.

Experience clues are anything that customers can perceive through their senses, or detect as missing (Berry et al., 2002; Haeckel et al., 2003). Experience clues can be anywhere and at any time, implying that neither the customer can decide whether to have them, nor the company can totally control them (Berry et al., 2002). There are two types of experience clues (Berry et al., 2002; Hackel et al., 2003): (1) the functional
clues, which have to do with the functionality of the good or the service, and (2) emotional clues, which are divided into two subgroups: mechanics and humanics. On the one hand, mechanics are those clues that are generated by things. Namely, they are the smells, sounds, sights, tastes and textures that are created by the products, services, or elements of the brand’s environment. On the other hand, humanics include the gestures, tone, body language, and other clues emanated by people who are part of the brand’s environment. Firms ought to pay special attention to these emotional clues, because true brand loyalty can not be developed without an affective commitment of the customers (Iglesias et al., 2011).

2.2.3.3. The joint value creation sphere.

Third, in the joint sphere, value is created through the value-in-interaction approach, which consists of a dialogue between the firm and the customers (Wikström, 1996). In this approach, customers directly interact with the firm in the different stages of the value co-creation process (i.e. Bonsu and Darmody, 2008; Grönroos and Voima, 2013), and thereby they co-create real value together with the firm (Grönroos and Voima, 2013). These stages are: (1) ideation, (2) conceptualisation, (3) design, (4) testing, (5) production, (6) support, (7) marketing, (8) purchase, (9) consumption, and (10) selling or disposing (i.e. Alam, 2002; Kambil et al., 1999; Mascarenhas et al., 2004; Nambisan, 2002; Nambisan and Baron, 2007; Nambisan and Nambisan, 2008; Wikström, 1996; Zwass, 2010).

Traditionally, the customer entry into the value co-creation process differed among markets (Gummesson, 1993). First, in the industrial or business-to-business market,
customers entered at the design stage of the process (Wikström, 1996), because it was crucial that the product totally satisfied their needs. Second, in the services market, customers did not join the process until the production stage (Wikström, 1996), as the production and consumption of a service are at least a partly simultaneous process (i.e. Grönroos, 2006; Grönroos and Ravald, 2011). Third, in the consumer goods market, customers joined the process at the consumption stage (Wikström, 1996), when they used the product. Nowadays, however, customers of all markets tend to join the value co-creation process earlier and are ideally involved in all the stages of this process (Mascarenhas et al., 2004; Wikström, 1996). This customer involvement provides firms with more accurate information about customer needs, and thereby enables them to offer more successful new offerings (Alam, 2002).

Figure 1: The value creation spheres (adapted from Grönroos and Voima, 2013)

Despite the fact that value co-creation has mainly been conceptualised from the joint value creation sphere viewpoint of dyadic relationships between the firm and the
customers (i.e. Vargo and Lusch, 2004), a more recent stream of literature emphasizes that value co-creation actually takes place within networks composed of multiple social and economic actors (i.e. Iglesias et al., 2013; Jaakkola et al., 2013).

2.2.4. Adopting a multi-stakeholder approach to value co-creation.

The branding literature has evolved from a product-centric viewpoint to conceptualising brands as social processes where multiple stakeholders are engaged in the co-creation of value (Merz et al., 2009). In the currently prevalent stakeholder-focus branding era, which gained attention since 2000s (Ballantine and Aitken, 2007; Ind and Bjerke, 2007; Jones, 2005; McAlexander et al., 2002; Muniz et al., 2001), marketers suggest that firms do not only co-create value with the customers, but also in brand communities (Muniz et al., 2001) and with the rest of stakeholders (Merz et al., 2009). Accordingly, value co-creation is a highly dynamic, continuous and collective process, which occurs in networks of relationships among all the actors involved (Ballantine and Aitken, 2007; Iansiti and Levien, 2004).

This multi-stakeholder approach to value co-creation is present in the field of corporate brands (i.e. Balmer, 1995, 2012a,b; Balmer and Gray, 2003; Golant, 2012; Harris and de Chernatony, 2001; Hatch and Schultz, 2002), as well as in the field of services brands (i.e. Brodie, 2009; Brodie et al., 2006; Dall’Olmo Riley and de Chernatony, 2000; Davis et al., 2000; McDonald et al., 2001). However, researchers from both fields have mainly focused on conceptualising the role of employees in the process of value co-creation (i.e. Balmer, 2010; Brodie, 2009; Harris and de Chernatony, 2001; McDonald et al., 2001). Employees are those stakeholders who can determine the
success of a brand (Aaker, 2004) when they interact with the customers. Thus, they are able to make or destroy the brand (Roper and Davies, 2007). In order to ensure that they make the brand, managers need to transfer the brand values to the daily behaviour of these employees (Wallström et al., 2008) and help them to understand and embody the brand vision (Iglesias et al., 2013). Managers, however, should not impose this brand vision, but they ought to discuss with the different stakeholders the meanings that are to be associated with the brand (Iglesias et al., 2013). In accordance with these brand meanings, managers should develop or adapt the brand value proposition (Iglesias and Bonet, 2012).

Finally, Dall’Olmo Riley and de Chernatony (2000) suggest that there is an increasingly convergent evolution in the branding literature towards the multi-stakeholder orientation, which considers that value co-creation takes place in solution networks that are formed by different actors who interact and integrate their resources (Jaakkola and Hakanen, 2013).

3. FUTURE RESEARCH OPPORTUNITIES

The emergence of the stakeholder-focus branding era (Merz et al., 2009) has created the need to study how value is co-created between the firm and its stakeholders (Brodie, 2009; Frow and Payne, 2011; Hatch and Schultz, 2010). In order to meet this need, researchers have mainly developed theoretical studies of the value co-creation process from the multiple stakeholder perspective (Pillai, 2012; Wallström et al., 2008). Nevertheless, little empirical research has been conducted on this topic (Iglesias et al.,
2013; Merz et al., 2009; Vallaster and von Wallpach, 2013), implying that value co-creation from the multiple stakeholder viewpoint is still a largely under-investigated area, calling for qualitative, explorative research (Jaakkola and Hakanen, 2013).

Despite this lack of empirical research on value co-creation from the multiple stakeholder perspective, there actually is a great deal of empirical research on the more dyadic approach to value co-creation, which solely considers the interactions between the firm and the customers (Füller, 2010; Füller et al., 2009; Hatch and Schultz, 2010). This empirical research is mainly conducted from the customer perspective (Ind et al., 2013). And, this customer perspective is fundamentally built on the aspects of customers’: (1) motivations, (2) resources, and (3) experiences. First, there is a great deal of literature studying why customers are willing to participate in value co-creation (i.e. Füller, 2010; Ind et al., 2013; Nambisan and Baron, 2007, 2009; Nambisan and Nambisan, 2008; Zwass et al., 2010). Namely, academics have already investigated which are the customers’ motivations or benefits sought when participating in value co-creation. Second, scholars have also studied the value co-creation process from the viewpoint of the resources that customers need to have, combine and integrate (i.e. Arnould et al., 2006; Baron and Harris, 2008; Gummesson and Mele, 2010; Lusch and Vargo, 2006; Vargo and Lusch, 2008). Third, value co-creation has been researched from the perspective of the personalised experiences from which customers derive value (i.e. Prahalad and Ramaswamy, 2003, 2004; Ramaswamy and Gouillart, 2010).

Surprisingly, however, there is scarce empirical research on value co-creation from the managerial perspective. Namely, the barriers and challenges that firms face when they engage in value co-creation have not been sufficiently studied in an empirical fashion.
Furthermore, the corporate culture in which these barriers and challenges are best addressed is also empirically under-investigated. Consistently, the type of leadership that characterises this corporate culture is still to be empirically researched, aiming at complementing Iglesias’ et al. (2013) theoretical proposition claiming that, nowadays, managers need to adopt a more open, humble and participatory leadership style.

*Figure 2: Future research opportunities*

Finally, we detect a twofold future research opportunity:

1. To empirically investigate the value co-creation process, as well as the main barriers and challenges that it entails, from the managerial perspective.

2. To empirically study which is the corporate culture, and subsequently the type of leadership needed to support and foster the value co-creation process, also from the managerial perspective.


