



# FEDERAL UNIVERSITY OTUOKE

## JOURNAL OF MANAGEMENT SCIENCES

### EFFECT OF VALUE CO-CREATION ON CUSTOMERS' LOYALTY IN SOUTH-SOUTH, NIGERIA

**Philomena U. OMODAFE (PhD.)**

*Department of Marketing, School of Business Studies  
Delta State Polytechnic, Ogwashi-Uku, Delta State*

**&**

**Stanley A. ONOBRAKPEYA**

*Department of Marketing,  
Faculty of Business Administration,  
University of Nigeria, Enugu Campus, Enugu*

#### ABSTRACT

*The general objective of the study is to ascertain the effects of value co-creation on customers' loyalty with particular reference to Fashion-design enterprises in Warri Metropolis of Delta State, South-South, Nigeria. A cross-sectional survey research approach was adopted for the study with self-administered questionnaire used in collecting primary data from a sample size of 215 fashion-design enterprises. The study which is anchored on the resource theory of social exchange explored three constructs and adopted descriptive statistics, correlation and multiple regression analysis for the analysis of data. The findings indicated that customer engagement, resource integration and product customization are value co-creation dimensions and are positively related, and have a significant positive effect on customers' loyalty. The study therefore concluded that value co-creation has effect on customer's loyalty. The study recommended that today's fashion-design enterprises should make efforts to retain customers by co-creating and delivering value that their customers desire. This can be achieved by creating a compelling customer engagement, resource integration and product customization that will engender customers' loyalty.*

**Keywords:** Effects, Value Co-Creation, Customer Engagement, Resource Integration, Product Customization

#### INTRODUCTION

In recent years, most organizations have shown serious concerns on the overall satisfaction of their customers and clients in an attempt to minimize their migration to competitors. With the increasing role customers played in the sustainability of today's organizations and the exalted position of 'Kingship' that has been accorded them over the years, there is a paradigm shift from company level focus into customer level focus (Kumar and Petersen, 2013). Today, the world is becoming a small place to live in with the mutual sharing of knowledge, information, ideas and engagement being made possible through co-creating. Besides, today's lifestyle and the structure of consumption have changed in such a way that service providers most times reach the competitive edge to retain their customers.

Hence, one strategy to achieving improved marketing performance is value co-creation, which indicates a mutual creation of value and experience, especially in case of Fashion-designers enterprises.

Value co-creation is a relatively new marketing strategy in most developing countries (Nigeria inclusive) but has been deployed effectively in different parts of the globe especially in developed countries (Ahmed, 2012). With this evolution, firms have to re-evaluate their marketing strategies to succeed in the competitive business environment and to increase their profitability (Hoyer, Chandy, Dorotic, Krafft & Singh, 2010). Customers are now demanding customized and personalized products and services to feel unique and stand out from the crowd, so firms are beginning to change their focus from the features of products to customer benefits. Ranjan and Read (2014) posit that value co-creation can occur either (1) in the process of experiencing the offer by the consumer, or (2) when consumers are engaged in value proposition development. Accordingly, there are two manifestations of value co-creation. One is observed during the process of consuming a product by a customer (value-in-use), while the other occurs when organizations and their customers work together on developing a value proposition (Piotr & Jolanta, 2017).

While users are acquainted with context-of use information, specialized manufacturers have generic solution information. This is why users, led by their personal experiences, can suggest novel product functionalities, while manufacturers tend to offer improvements to better serve well-known needs (Piotr & Jolanta, 2017). While using products, customers form opinions on their utilities and shortcomings. They also develop ideas for entirely new products or modified versions. Consequently, inviting customers to share their knowledge – before a competitor does so – is an important managerial task. To increase competitiveness, firms tend to acquire valuable knowledge from multiple external sources (including customers) and combine it with internal knowledge resources (Piotr & Jolanta, 2017). Co-creation recognizes the influence and power of consumers in the development of brands (Choo, Moon, Kim and Yoon, 2012). This has shifted the focus of marketing away from a product-focused approach to the identification, mirroring and servicing of customer needs. Brand value can be co-created via interaction that acts as a dialogue between the organization and its customers (Grönroos, 2011; Grönroos and Voima, 2011).

The fashion industry involves significant innovation and creativity, satisfying the criteria of both aesthetic design and utility to customers. Fashion designs may also be manifestations of symbolism, art and culture. Globally, fashion is a multi-billion dollar industry and provides jobs for models, beauticians, designers and make-up artists, producers, manufacturers, textile designers, event organizers etc. It is also intrinsically associated to other creative industries, including the arts, music and film. Designer Fashion Enterprises, DFEs, are fashion design enterprises that produce products within the upper market segments between designer luxury and contemporary price-points, and are in the earliest stages of development. SME designer fashion enterprises have been identified as key sectors of economic growth within the fashion industry (British Fashion Council, 2012). Throughout their development, they create exceptional and dynamic networks to aid their economic sustainability. These networks infuse all levels of the supply chain as DFEs develop influential relationships, partnerships and collaborations with textile manufacturers, suppliers, sales representatives, retailers and PR agencies, all over the global fashion system

(Karra, 2008). Perceived value of products and brand equity, built via the process of co-creation, develops the justification for the premium price related to luxury goods positioned within the highest product category segments (Tynan, McKechnie & Chhuon, 2010).

Despite the vast and rapid change in the market, most firms still depend on firm-level organizations for designing their marketing strategies. In today's globalized world, economic activities have shifted from basically domestic affairs to a more complex international relationship; and that, in itself, poses new challenges. Consequently, developing economies like Nigeria have to face the challenge of how to attain competitive advantages in key economic sectors. The production of technological knowledge is concentrated in industrial countries and developing nations are still lagging behind as far as competition on the technological frontiers is concerned. In addition, organizations in emerging industries are facing more resource challenges, including the shortage of knowledge resources, human resources, information resources, and technical resources. Even though the co-creation of value with customers is a recent discussed topic in scientific world, little effort has been made to find means for organization to influence and manage customer's involvement. Despite the vast and rapid change in the market, most firms still appear to depend on firm-level organizations for designing their marketing strategies.

Previous studies related to value co creation of designer fashion enterprises primarily studied the evolution of brand strategies, business models and the issues of global brand image inconsistencies of large established companies (Matthiesen & Phau, 2010; Moore and Doyle, 2010), with limited research on co-creation (Kang, 2014; Roser, DeFillippi & Cooke, 2014). In practice, the ability and degree to which these entrepreneurial enterprises can principally and precisely focus on their target market is slight given their tremendous limited resources. The development of the entrepreneurial designer fashion brand can be explained via the process of co-creation within the context of the fashion system, which has yet to be explored in the literature. The existence of value co-creation as a technique of collaboration between the customer and enterprises has become essential in the business world. However, the effectiveness of the method in improving customer loyalty continues to be an issue. This paper aimed at contributing to the research stream of measuring value co-creation in order to gain knowledge for improvement of customer loyalty and aiding new means of value creation.

### **Research Objectives**

The main objective of the study was to ascertain the effect of value co-creation on customer loyalty. The specific objectives are to:

- i. Examine the effect of customer engagement on customer loyalty
- ii. Examine the influence of resource integration on customer loyalty
- iii. Determine the effect of product customization on customer loyalty.

## **THEORETICAL BACKGROUND AND HYPOTHESES DEVELOPMENT**

### **The Concept of Value Co-Creation**

In the traditional value creation process, organization and consumers had concrete roles. One was selling, the other was purchasing. One was sending, the other receiving. In literature this type of value is often referred to as value-in-exchange (Skaržauskaitė, 2013). Products and services were sources of value, and this value was exchanged from the firm to

the customer in the market place. Businesses and consumers have become no longer separate entities but performing various activities mutually, thus creating new form of value – value-in-use (Skaržauskaitė, 2013). Thereby, the approach emphasizes the customer-firm interaction. In this manner, the customer-organization relationship is defined through a dialogical, personalized interaction, supporting a joint creation of value (Pralhad & Ramaswamy, 2004b).

The “co-” in co-creation refers to the actors who take part in the process of creating value and includes customers, brand communities, firms and other actors (Saarijarvi & Kannan, 2013). While “creation” means unifying and integrating multiple resources contributed by different actors (Saarijarvi & Kannan, 2013; Sjodin & Kristensson, 2012). Payne, Storbacka & Frow (2008) posit that co-creation includes: (1) active involvement between at least two actors; (2) integration of resources that create mutually beneficial value; (3) eagerness to interact and (4) a range of possible form of collaboration.

The concept of value co-creation is based on the assumption that customers will present an active role in the cooperation with the company to create value together via the different stages of the value chain from production to consumption (Pralhad & Ramaswamy, 2004). Ranjan and Read (2016) affirmed that there are two main dimensions of the value co-creation concept: coproduction and value-in-use. Co-production involves customers in the product and/or service design process, performing either as facilitation or an active role via the sharing of knowledge or information with the organization. Value-in-use goes beyond the stage of co-production to the consumption stage of a product or service: customers access and decide the value of a product and service on the basis of their usage experiences (Vargo & Lusch, 2004).

There are three key factors in the concept of value co-creation: the actors involved, the value and the engagement platform (Leclercq, Hammedi & Poncin, 2016). The concept of value co-creation was first proposed by Prahalad and Ramaswamy (2004) largely concentrate on the co-creation between the customers and the service provider in online contexts, but it can be further expanded to include the main stakeholders involved, such as customers, companies, competitors, suppliers and others to equally create value. In marketing study, shared creation of value by the supplier and the customer which necessitates the collective effort of the partners for developing a new offer connotes co-creation (Silva, Camacho & Vázquez, 2013). According to this conception, the main concern is in the interaction point of the customer and the organization rather than the value chain (Sjodin & Kristensson, 2012; Witell et al., 2011).

Ind and Coates (2013) contended that creation of value is an interactive process in which customers and organizations work together to generate new products and services. The nature of value-creation relies on the view we take toward it; if the customer is invited to take part in the co-creation process, it is the company that creates value for customer (Zwass, 2010). Co-creation entails developing new products and services in a rapid, more vital and innovative way than traditional processes which it brings about an opportunity for sustained interaction between the company and customers and the company is willing to work with external stakeholders (Wandahl, Jacobsen, Lassen, Poulsen, Denmark & Sørensen, 2011). Each value creation process built during the direct interaction, unite into one integrated dialogical process in which both parties operate within the processes of the other and have the opportunity to be active, learn from each other and coordinate actions.

In such processes, firms deliver value as a customer's partner instead of seller (Khajeheian, 2016a). As a result, the value is co-created via a constant interactive learning process and the customer is involved in all the steps of service development; from joint problem clarity to jointly solve problems. As a result, the customer value creation process is understood as a non-linear, dynamic, interactive and often unconscious process (Payne et al, 2008; Plötner, Lakotta & Jacob, 2013).

Co-creation is defined as collaborative work between a consumer and a firm in an innovation process, whereby the consumer and firm engage in the activity of co-ideation, co-design, co-development and co-creation of new services or products (Prahalad & Ramaswamy, 2004c; Russo-Spena & Mele, 2012). In part, co-creation is a precise form of user contribution whereby "active" as opposed to "passive" customers participate with the company and willingly contribute input into an innovation process, whose outcome is better and more market-focused innovation (Russo-Spena & Mele, 2012).

### **Customer Engagement**

The key to true co-creation is the idea of customer engagement, which shows the intensity of customer involvement (Piotr & Jolanta, 2017). The customer-brand engagement is customers' motivationally aided by volitional investment of operand/operant resources into brand interactions, and has been subject to increasing scholarly attention in precedent decade (Hollebeek, Srivastava & Chen, 2016b). Customer-brand engagement is attracting rising attention, as engaged customers vigorously participate in new product and service development, are less price sensitive, resist switching and advocate for brands (Brodie, Ilic, Juric & Hollebeek, 2013; Hollebeek et al., 2016b). Customer engagement is the intensity of an individual's participation and connection with company's offerings and activities initiated by either the customer or the company (Vivek, Beatty & Morgan, 2012). In particular, customer involvement is a vital dimension of the value co-creation process in the context of self-service technologies. Due to the attributes of a high user activity level but low provider activity level (Wunderlich, Wangenheim & Bitner, 2013). Value co-creation is a focal point of the service-dominant logic, and the major premise of customer involvement. Customer participation has been seen to deliver value to both customers and companies (Chan et al., 2010; Yim, Chan and Lam, 2012), and customers who perceive more value through their co-producing a service tend to be more satisfied (Chan et al., 2010; Yim et al., 2012).

However, past findings about the effect of customer participation on service outcomes, such as customer loyalty and satisfaction, are inconsistent and mixed (Chan et al., 2010; Yim et al., 2012). In light of the major premise of the service-dominant logic, customer involvement itself is not the key to superior customer satisfaction, but instead it is the co-created values that are vital here. Service research indicated that service customers needs extrinsic as well as intrinsic rewards as motivations for participation in self-service or coproduction service tasks (Yim et al., 2012). Therefore, the co-created values might act as essential mediators between customer participation and service outcomes, such as customer loyalty and satisfaction.

Ching-Fu and Jing-Ping (2016) explained that the values perceived by customers via customer involvement positively influencing satisfaction with respect to system as well as company, and thus have an effect on customer loyalty. Customer participation can deliver value to both the customers and the firms, as indicated in previous studies (Chan et al., 2010; Yim et al., 2012), and provide empirical proof for the role of customer input in value

co-creation that is rooted in the service-dominant logic. In this regard, Dabholkar and Sheng (2011) stated that the drivers of customer participation, which are important for understanding more about customer's desire to partake in value co-creation. To co-create, customers most frequently partake in the form of giving suggestions, sharing information, new innovative ideas and aiding other customers for product usage and sometimes involve themselves in the promotion of products and brands via positive word-of-mouth (Verleye, 2014). Also Yi and Gong (2013) and Dong, Sivakumar, Evans and Zou (2015) noted that customer participation behaviour in terms of the four components, that is, information seeking, information sharing, personal interaction and responsible behaviour. Therefore, we propose that:

H<sub>1</sub>: Customer engagement has significant positive relationship with customer loyalty.

### **Resource integration**

Rather than transferring the value of service or a product upon buying, Vargo and Lusch (2011) stated that value is co-created by multiple actors, via the integration and exchange of resources such as information, knowledge, skills, etc. As a result, service provision (the integration and exchange of operant resources) replaces the exchange of products as the basis of economic exchange. The term 'service' shows a shift from conceptualising value creation in terms of operant resources and operand resources. An actor connotes people, such as employee or customer, but also to government bodies or rules showing that they are noticeably constituted identities related with different organizations (Vargon & Lusch, 2011). An actor-to-actor orientation indicates that value creation occurs in networks, and that there are mechanisms to coordinate and facilitate resource integration and service exchanges between actors (Vargo & Lusch, 2016).

Value co-creation builds on the idea that actors create, integrate and exchange resources with other actors to achieve outcomes that they cannot attain alone. However, value co-creation is not certain to take place, and it is even possible that the opposite occurs, i.e. value co-destruction (Echeverri & Skålén, 2016). Whether or not value can be co-created depends on actors' access to resources via exchange. This is affected by the cultural and social context (Chandler and Vargo, 2011). For example, knowing certain people enables you to, via their network, exchange resources that you may not have access to directly. Furthermore, actors need to be able to integrate resources that are offered for exchange with their own resources. As a result, actors who provide resources for exchange never provide value by definition, but only potential value. This is also called value propositions. For example, a car manufacturer does not provide value by producing and selling cars, but only prospective value of transport. Whether this value can be attained depends on whether the resource "car" can be integrated by other people with their set of resources (e.g. having a driving license, fuel, repairs and access to roads).

Integration and exchange of resources does not involve ownership over all the resources, merely access to them. Travelers can make use of airplanes and trains without owning them. Instead, they have access to some of the characteristics of this mode of transportation by paying for a ticket. Resources can also be accessed via renting and lending. For instance, car as a resource, there would be no difference between whether the car is available via ownership or, for example, a car sharing programme. Nonetheless, value is versatile and defined by the beneficiary, and there may be values of social importance that come with ownership (Arvola & Holmlid, 2016).



Because of the attributes of short technology upgrading cycle, uncertain customer demand and unclear market structure, enterprises in emerging industries have more challenges in resource integration and input, which is also basically different from traditional industries with fairly stable markets and technology (Forbes & Kirsch, 2011). Resource integration is a vital bridge connecting the external and internal enterprise (Vargo & Akaka, 2012). When resources are found and effectively used by the company, the value of them will materialize (Lusch & Vargo, 2014). According to RBV, resource integration is the process of effectively identifying, acquiring, and allocating external resources. Companies need to keep searching to recognize external important resources and to attain further competitive advantage. Identifying connotes enterprise need to find valuable resources ahead of their competitors; surveillance stresses the need for organizations to keep an eye on competitors or market conditions to learn about new industrial trends; learning requires enterprises to rapidly understand and replicate the advanced business techniques and models of competitors; and forecasting asks for a longer-term strategic vision.

The organization prepared with the ability to learn is more likely to identify trends and events in the market, and the learning enterprise are usually more flexible than their competitors (Jiménez-Jiménez & Sanz-Valle, 2011). Resource acquisition is the follow-up of resource identification and the process of obtaining resources through various relationship channels and operation methods. It stresses suitability and the relevance of accessing resources effectively and speedily. Organizational learning is of great relevance to access to resources, particularly for new companies that frequently lack sufficient resources to underpin their growth (Jiménez-Jiménez & Sanz-Valle, 2011). Some companies adopt different approach in order to get the resources they need. For scarce human resources, the major way is to give high motivation and reward; for some special intellectual property rights, companies are more likely to cooperate or introduce via capital purchase, strategic alliance and capital transfer; certainly, companies can employ and reuse via learning, such as knowledge resources. Due to the heterogeneity of resources and the great differences between different resources, it is important to understand the common matching of resources via organizational learning to make up for shortcomings, so as to maximise the efficiency of resource utilisation. At the same time, managers can also make full use of scarce resources via organizational learning, maximise the effectiveness of scarce resources and pay attention to the realisation of scarce resources. In addition, organizational learning is the process of acquiring new capabilities and knowledge, which strengthens organizational actions. Efficient knowledge sharing and transfer provide organizational members with opportunities of collaboration and learning (Hung, Lien, Yang, Wu, Kuo, 2011; Kim & Atuahene-Gima, 2010). Therefore, we propose that:

H<sub>2</sub>. There is a significant positive relationship between resource integration and customer loyalty.

### **Product Customization**

Creating customer satisfaction and customer loyalty are among the major goals of firms in order to ensure competitiveness – that is their economic viability. One area influencing the above stated goals is the customization of products (Kown & Kim, 2012). Customization, i.e. offering an individual product for the individual customer is therefore not just a trend, but becoming an expected premise for firms in order to meet the market

demands. This development raises industrial issues, e.g. the need of offering a highly diversified product portfolio, which in turn is indicating flexible manufacturing technologies (El-Maraghy, Schuh, ElMaraghy, Piller, Schönsleben, Teng & Bernard, 2013). In order to tackle these issues, customer centric development paradigms such as personalization, mass customization, or even co-creation between customer and supplier have been observed (Kown & Kim, 2012). Besides their high demand for individualization, it is obvious that products become outdated before reaching their technical life expectancy, resulting in shorter product use time on the customer side, as well as shorter product life cycles on the enterprise side (Fels, Falk & Schmitt, 2017).

Customization is also known as personalization, it is offering service or a product, which is modified to the individual customer's preferences and needs as opposed to staple articles (Fels, Falk & Schmitt, 2017). However, developments in manufacturing systems support the mass production of customized products (Fels, *et al* 2017). Moreover, the rising digitalization and engagement of customers in Social Media aid the dialogue between organizations and customers in order to find out individual needs (Sashi, 2012). Examples of customization are the selective placement of product propositions for individual customers on web pages e.g. Amazon (also referred to predictive personalization) or the possibility to configure products during the purchasing process by the customer, as it is possible for automobiles or clothing items (Garcia & Winkelhues 2016).

In a larger sense, the latter instance refers to the participation of the customer within the design process. Customization – particularly when customers play an active role – is of special interest concerning loyalty and satisfaction. Through customization, services or products inherit a personal character for the customer; the emotional bond is therefore stronger (Sashi, 2012). The assumption is, that customized products enhance satisfaction and thus indirectly influences. Repurchasing behaviour (Fels, *et al* 2017). Research support this statement: Concerning services it has been discovered that personalized offers show a relationship with a higher level of satisfaction as well as an enhanced customer loyalty (Bock, Mangus and Garretson, 2016; Coelho & Henseler, 2012). Therefore, we propose that:

H<sub>3</sub>. Product customization has significant positive relationship with customer loyalty.

### **Importance of value co-creation**

Studies are of the opinion that companies can expect to achieve multiple benefits from increased customer engagement in value co-creation, including strengthening brands, attracting new customers, rising customer loyalty (Piligrimiene, Dovaliene & Virvilaite, 2015; Saarijarviet, Kannan & Kussela, 2013), as well as reducing a range of expenses to offer more differentiated products at lower prices (Arakji, Lang, 2007 in Piotr & Jolanta, 2017). Co-creation can also improve innovation via aggregating, sharing and recombining knowledge on the Internet (Brynjolfsson and McAfee, 2014), or by effective participation of customers in the designing and production of new products (Chen, Marsden and Zhang, 2012). Some literature on co-creation has mainly focused on the benefits of co-creation, such as higher satisfaction towards the co-created products and/or services (Mahr, Lievens & Blazevic, 2014), higher customer loyalty towards the brand (Cossío-Silva, Revilla-Camacho, Vega-Vázquez & Palacios-Florencio, 2016), and increased customer repurchase even in situations when failure to fulfil a service previously occurred (Hazée, Van Vaerenbergh & Armiroto, 2017). Co-creation is especially reasoned to benefit startups because customers are



considered a valuable resource that can compensate for startup's limited resource availability (Perks, Gruber & Edvardsson, 2012).

### **Theoretical Framework**

Value co-creation is generally conceptualized as a process of resource exchange, and the actors involved interact to aid the exchange of resources and the value to be jointly created (Gronroos, 2008; Vargo & Lusch, 2004). The theoretical bases of value co-creation thus can be traced back to the resource theory of social exchange (Foa & Foa, 1975). The object of exchange, the resources can be symbolic or concrete, such as information, money, love, status, products and services. The need of this theory is that customers satisfy their needs via exchange of resources, and the means by which they attain their needed resources from others is via social interactions between the exchange parties (Foa & Foa, 1975). There are certain rules and norms of exchange that guide the interactions, and the most common one is reciprocity, i.e. each party is entitled or expects to receive reward in return for the reward given, either symbolic or concrete (Wieseke, Alavi & Habel, 2014).

### **METHODOLOGY**

A cross sectional survey research approach was used to examine the relationship between value co creation and customer loyalty of fashion design enterprises, in Warri Metropolis, Delta State Nigeria. Focus was on a sample size of 215 fashion design enterprises located in Warri Metropolis of Delta State. A self-administered questionnaire survey was used to collect empirical data based on a convenience sampling method. The questions in the survey were designed based on a review of the literature and the specific characteristics of a fashion design enterprise. After pilot testing and ensuring that the questionnaire is valid and reliable the final version of the questionnaire was distributed during the period of January, 2020, personally by researchers using the "drop off and pick" technique.

In this study, Cronbach Alpha was employed to test the reliability of the proposed constructs. In order to ascertain the internal consistency of the dimensions, particularly those using Likert scale items it is suggested to test the reliability of scales using Cronbach's alpha (Gliem & Gliem, 2003). The purpose of the Cronbach's Alpha is to measure the internal consistency of a scale and is expressed in numbers ranging from 0 to 1 (Tavakol & Dennick, 2011). Therefore, since the acceptable alpha values are suggested to be in a range from 0.70 to 0.95 (Tavakol & Dennick, 2011), it is well thought-out that all the items measured in this study are reliable and have relatively high internal consistency.

The study adopted descriptive statistics, correlation and multiple regression analysis for the study. Descriptive statistics is a statistical technique that is used to summarize and illustrate information and raw data about crucial patterns in the sample by allowing its interpretation and understanding (Nora, Léo-Paul & Veland, 2019). Descriptive statistics is seen to be very useful in attaining a better understanding of data and are generally used to summarize a study sample prior to analyzing a study's primary hypothesis (Marczyk, DeMatteo & Festinger, 2005). Correlation analysis is necessary to measure the significance of the association between the variables in the study. While correlation only measures the relationships between variables and thus cannot estimate the value of a dependent variable based on the value of the independent variable, regression analysis is seen as the appropriate model to gain a better understanding of the effect of independent variables on

the dependent variable of the study. The model specification used in this paper is based on the main hypothesis of the study and is presented below:

Customer loyalty = f (Value co-creation dimensions)

The linear relationship between the new dependent variable and the independent variables is given as:

$$CL = \beta_0 + \beta_1 CE + \beta_2 RI + \beta_3 PC + ui$$

Based on the study hypothesis the a priori expectation of all  $\beta$  coefficients are expected to be positive  $\beta > 0$  meaning that all the VC dimensions are expected to have a positive effect on customer loyalty.

**Table 1: Reliability Test Result**

S/N	Measures	I	N	Cronbach's alpha
1	Customer engagement (CE)		200	0.767
2	Resource integration (RI)		200	0.788
3	Product customization (PC)		200	0.845
4	Customer loyalty (CL)		200	0.855

Source: SPSS output 2020 (authors)

**Table 2: Descriptive statistics and correlation analysis for computed variables.**

Computed variables	Mean	Std. Deviation	CE	RI	PC
Customer engagement	19.05	1.04			
Resource integration	19.14	0.95	.477**		
Product customization	19.04	1.08	.441**	.518**	
Customer loyalty	19.06	1.05	.608**	.518**	.536*

\*\* . Correlation is significant at the 0.01 level (2-tailed).

Source: SPSS output 2020 (authors)

**Table 3: Multiple regression analysis of the dimensions of value co creation**

Coefficients <sup>a</sup>					
Model		Unstandardized Coefficients		Standardized Coefficients	Sig.
		B	Std. Error	Beta	
1	(Constant)	2.477	1.257		.050
	Customer engagement	.404	.061	.402	.000
	Resource integration	.213	.070	.192	.003
	Product customization	.253	.061	.259	.000

a. Dependent Variable: Customer Loyalty

Source: SPSS output 2020 (authors)

**Table 4: Model Summary**

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.695 <sup>a</sup>	.482	.475	.7609

a. Predictors: (Constant), Product customization, Customer engagement, Resource integration

Source: SPSS output 2020 (authors).

## DISCUSSION OF RESULTS

Out of 215 questionnaire distributed to randomly selected enterprises a total of 209 questionnaire were collected, out of which 9 resulted as not valid because due to their incompleteness. As a result, only 200 questionnaire were taken as the final sample for the study representing 93% response rate which is considered as very good. The means, standard deviations, internal consistencies (Cronbach's  $\alpha$  coefficients) and correlations among the study variables are in Table 1 and 2. The  $\alpha$  values for all the scales were greater than 0.70, indicating reasonable to good reliability (Hair, Black, Babin, Anderson & Tatham, 2006).

Table 2 showed that all the correlation coefficients between the constructs in this study show a moderate to high positive correlation. The Pearson correlation between customer engagement and resource integration is 0.477<sup>\*\*</sup> which indicates that there is a moderate positive relationship between these two variables. The correlation between customer engagement and product customization is 0.441<sup>\*\*</sup>, the correlation between customer engagement and customer loyalty is .608<sup>\*\*</sup>, indicating that there is a strong positive relationship between these variables. The correlation coefficient between resource integration and product customization is 0.518<sup>\*\*</sup>, and with customer loyalty is 0.518<sup>\*\*</sup>, showing a strong positive relationship between these variables. Pearson correlation between product customization and customer loyalty is 0.536<sup>\*\*</sup>, indicating a strong positive relationship between these constructs.

The multiple regressions (in Table 3) output among other data gives the  $\beta$  coefficients for each independent variable. Based on the multiple regression results the regression model table 3 showed that customer engagement has positive effect on customer loyalty ( $\beta = 0.402$ ,  $P < 0.01$ ).  $H_1$  test result ( $0.000 < 0.05$ ) showed that customer engagement has significant positive relationship with customer loyalty. This supports the findings of Piotr and Jolanta (2017) that the key to true co-creation is the idea of customer engagement, which shows the intensity of customer involvement.

Table 3 showed that resource integration has positive effect on customer loyalty ( $\beta = 0.192$ ,  $P < 0.01$ ).  $H_2$  test result ( $0.003 < 0.05$ ) indicated that there is a significant positive relationship between resource integration and customer loyalty. It supports Vargo and Akaka (2012) findings that resource integration is a vital bridge connecting the external and internal enterprise.

Table 3 showed that product customization has positive effect on customer loyalty ( $\beta = 0.259$ ,  $P < 0.01$ ).  $H_3$  test result ( $0.000 < 0.05$ ) showed that product customization has significant positive relationship with customer loyalty. This is in agreement with Sashi (2012) findings that through customization, services or products inherit a personal character for the customer; the emotional bond is therefore stronger.

The coefficient of determination (in table 4) R-Squared for the study is 0.482 or 48.2%. This indicates that 48.2% of the variations in the model can be explained by the explanatory variables of the model while 51.8% can be attributed to unexplained variation. The Adjusted R-Square (47.5%) shows a slight penalty for additional explanatory variables introduced by the researchers

## CONCLUSION

The general objective of the study was to ascertain the effect of value co creation on customer loyalty. The results of multiple regressions indicated that customer engagement, resource integration and product customization are the value co creation dimensions that are positively related and have a significant positive effect on customer loyalty. This research shows that alone or in a combination, they do affect customer loyalty therefore, we can confirm the hypothesis that value co creation positively affects customer loyalty of fashion design enterprises.

## Recommendations

Based on the aforementioned findings and conclusion, the study recommends as follows:

1. Firstly, customers should be treated as equal partners in the Fashion-design business as they have become more informed and enlightened.
2. Secondly, it is recommended that Fashion-designers in South-South, Nigeria should respond more to the golden opportunity of value co-creating in the retailing market by designing specific marketing strategies for their business sustainability.
3. Thirdly, as a viable business sector to profitably served, Fashion-designers in South-South, Nigeria should continue to address changes in their customers' behavior in a way that benefits them especially in the use of the knowledge gained from customers' involvement.
4. Also, organizations should make efforts to retain customers by co-creating and delivering value that their customers desire.
5. In order for firms to enhance customer loyalty, they should adopt customer engagement, resource integration and product customization strategies.
6. Again, today's firms should endeavour to differentiate their brands, customize their services, and create a compelling customer experience always.
7. Lastly, there is need for improvement in firm-customer relationship especially in the area of trust and response time to customers' inquiries/complaints, demands, services and delivery so that they can whole-heartedly believe the process without any fear or apprehension thereby helping to promote the business enterprise.

## References

- Ahmed, E. K. (2012). Consumer behavior differences between developed and developing Countries. Retrieved from, We are development Website: <http://wearedevelopment.net/2011/11/01/10-consumer-behavior-differences-between-developed-anddeveloping-countries/> Retrieved on March, 2018.
- Arnold, M. (2011). The role of open innovation in strengthening corporate responsibility, *International Journal of Sustainable Economy*, 3(3): 361–379.

- Arvola, M., & Holmlid, S. (2016). Service design ways to value-in-use, In Service Design Geographies, Proceedings of the ServDes.2016 Conference, 530-536
- Bock, D.E, Mangus, S.M, & Garretson, F. J. A. (2016). The road to customer loyalty paved with service customization, *Journal of Business Research*; 69: 3923-3932.
- British Fashion Council (2012). Future of fashion: Strategic considerations for growth, available at: [http:// www.britishfashioncouncil.com/content/1890/Future-of-Fashion](http://www.britishfashioncouncil.com/content/1890/Future-of-Fashion) (accessed: 21 December 2019).
- Brodie, R.J., Ilic, A., Juric, B. & Hollebeek, L. (2013). Consumer engagement in a virtual brand community: An exploratory analysis, *Journal of Business Research*, 66(1): 105-114.
- Brynjolfsson, E., & McAfee, A. (2014). *The second machine age: work, progress and prosperity in a time of brilliant technologies*, Norton & Company, New York.
- Chandler, J. D., & Vargo, S. L., (2011). Contextualization and value-in-context: How context frames exchange, *Marketing Theory* 11(1): 35-49.
- Chen, L., Marsden, J., & Zhang, Z. (2012). Theory and analysis of company-sponsored value co-creation, *Journal of Management Information Systems*, 29(2): 141–172.
- Ching-Fu C. & Jing-Ping, W. (2016). Customer participation, value co-creation and customer loyalty: A case of airline online check-in system, *Computers in Human Behavior*, 62: 346-352.
- Choo, H. J., Moon, H., Kim, H. & Yoon, N. (2012). Luxury customer value, *Journal of Fashion Marketing and Management*, 16(1): 81-101.
- Coelho, P, & Henseler, J.(2012). Creating customer loyalty through service customization *European J of Marketing*; 46(¾): 331-356.
- Cossío-Silva, F.-J., Revilla-Camacho, M.-Á., Vega-Vázquez, M. & Palacios-Florencio, B. (2016). Value co-creation and customer loyalty, *Journal of Business Research*, 69:1621-1625.
- Dabholkar, P. A., & Sheng, X. (2011). Consumer participation in using online recommendation agents: Effects on satisfaction, trust and purchase intentions, *The Service Industries Journal*, 32(9): 1433–1449.
- Dong, B., Sivakumar, K., Evans, K. R., & Zou, S. (2015). Effect of customer participation on service outcomes: The moderating role of participation readiness. *Journal of Service Research*, 18(2): 160–176.
- Echeverri, P., & Skålén, Per. (2011). Co-creation and co-destruction: A practice-theory based study of interactive value formation, *Marketing Theory*, 11(3): 351-373.
- Edvardsson, B., Tronvoll, B., & Gruber T. (2011). Expanding understanding of service exchange and value co-creation: a social construction approach, *Journal of the Academy of Marketing Science*, 39(2): 327-339.
- El-Maraghy H, Schuh G, ElMaraghy W, Piller FT, Schönsleben P, Teng M, & Bernard A.(2013). Product variety management, *CIRP Annals – Manufacturing Technology*, 62: 629-652.
- Fels, A. Falk, B. & Schmitt, R. (2017). User-driven customization and customer loyalty: A survey, *Procedia CIRP*, 60: 410 – 415.

- Foa, U. G., & Foa, E. B. (1975). Resource theory of social exchange, General Learning Press.
- Forbes, D.P. & Kirsch, D.A.(2011). The study of emerging industries: Recognizing and responding to some central problems, *Journal of Business Venture*, 26: 589–602.
- Garcia, V.B & Winkelhues K. (2016). The next revolution in mass customization: An insight into the sneaker market, *International Journal of Marketing, Communication and New Media*. 4(6): 1-12.
- Gliem, J. A., & Gliem, R. R. (2003). Calculating, interpreting, and reporting Cronbach's alpha reliability coefficient for Likert-type scales. Midwest research-to-practice conference in adult, continuing, and community education. Columbus, Ohio: Ohio State University.
- Grönroos, C, & Ravald, A. A., (2011). Service as business logic: implications for value creation and marketing, *Journal of Service Management*, 22(1): 5-22.
- Grönroos, C. & Voima, P. (2011). Making sense of value and value co-creation in service logic, working paper no. 559, Hanken School of Economics, Helsinki, Finland.
- Gronroos, C. (2008). Service logic revisited: Who creates value? And who co-creates? *European Business Review*, 20(4): 298-314.
- Grönroos, C. (2011). Value co-creation in service logic: A critical analysis, *Marketing Theory*, 11(3): 279-301.
- Hair, J. F., Black, W. C., Babin, B. J., Anderson, R. E., & Tatham, R. L. (2006). Multivariate data Analysis (6). Upper Saddle River, NJ: Pearson Prentice Hall.
- Hazée, S., Van Vaerenbergh, Y. & Armirotto, V. (2017). Co-creating service recovery after service failure: The role of brand equity, *Journal of Business Research*, 74:101-109.
- Hollebeek, L.D., Srivastava, R.K. & Chen, T. (2016b). SD logic–informed customer brand engagement: integrative framework, revised fundamental propositions, and application to CRM, *Journal of the Academy of Marketing Science*, (In press).
- Hoyer, W. D., Chandy, R., Dorotic, M., Krafft, M., & Singh, S. S. (2010). Consumer co-creation in new product development, *Journal of Service Research*, 13(3): 283-296.
- Hung, R.Y.Y. Lien, B.Y.H. Yang, B. Wu, C. & Kuo, Y.(2011). Impact of TQM and organizational learning on innovation performance in the high-tech industry. *Int. Bus. Rev*, 20: 213–225.
- Ind, N., & Coates, N. (2013). The meanings of co-creation, *European Business Review*, 25(1): 86-95.
- Jiménez-Jiménez, D. & Sanz-Valle, R. (2011). Innovation, organizational learning, and performance. *Journal of Business Research*. 64: 408–417.
- Kang, J.Y.M. (2014). Repurchase loyalty for customer social co-creation e-marketplaces, *Journal of Fashion Marketing and Management*, 18(4): 452-465.
- Karra, N. (2008). The U.K. designer fashion economy - value relationships- identifying barriers and creating opportunities for business growth. *A report commissioned for the Centre for Fashion Enterprise and Nesta*, available at: <http://www.fashion->



- enterprise.com/wp-content/files/2013/03/UK-Designer-Fashion-Economy-Report-December-2008.pdf (accessed: 21 December 2019).
- Khajeheian, D. (2016a). Audience Commodification: A Source of Innovation in Business Models, *Technology Innovation Management Review*, 6(8): 40-47.
- Kim, N. & Atuahene-Gima, K. (2010). Using exploratory and exploitative market learning for new product development. *Journal of Production Innovation Management*, 27, 519–536.
- KownK, & Kim C. (2012). How to design personalization in a context of customer retention: Who personalizes what and to what extent? *Electronic Commerce Research and Applications*, 11:101-116.
- Kumar, V. & Petersen, J.A. (2013). Using a customer-level marketing strategy to enhance firm performance: A Review of Theoretical and Empirical Evidence, *Journal of the Academy of Marketing Science*, 33(4): 504-519.
- Leclercq, T., Hammedi, W., & Poncin, I. (2016). *Ten years of value co-creation: An integrative review*, *Recherche et Applications en Marketing* (English Edition).
- Lusch, R.F. & Vargo, S.L. (2014). *Service-dominant logic: Premises, perspectives, possibilities*. Cambridge University Press: Cambridge, UK.
- Mahr, D., Lievens, A. & Blazevic, V. (2014). The value of customer co-created knowledge during the Innovation process, *Journal of Product Innovation Management*, 31:599-615.
- Marczyk, G., DeMatteo, D., & Festinger, D. (2005). *Essentials of research design and methodology*, New York: John Wiley & Sons Inc.
- Matthiesen, I. & Phau, I. (2010). Brand image inconsistencies of luxury fashion brands: A buyer-seller exchange situation model of Hugo Boss Australia, *Journal of Fashion Marketing and Management*, 14(2): 202-218.
- Moore, C.M. & Doyle, S.A. (2010). The evolution of a luxury brand: The case of Prada, *International Journal of Retail and Distribution Management*, 38(11): 915-927.
- Nora, S-D.Léo-Paul, D. & Veland, R. (2019). Entrepreneurial marketing dimensions and SMEs performance, *Journal of Business Research*, 100: 86–99.
- Perks, H., Gruber, T. & Edvardsson, B. (2012). Co-creation in radical service innovation: A systematic analysis of micro level processes, *Journal of Product Innovation Management*, 29: 935-951.
- Pilgrimienė, Z., Dovalienė, A., & Virvilaitė, R. (2015). Consumer engagement in value co-creation: what kind of value it creates for the company? *Inžinerinė Ekonomika-Engineering Economics*, 26(4): 452–460.
- Plötner, O., Lakotta, J. & Jacob, F. (2013). Differentiating market offerings using complexity and co-creation implications for customer decision-making uncertainty, *European Business Review*, 25(1): 65-85.
- Prahalad, C. K., & Ramaswamy, V. (2004). Co-creation experiences: The next practice in value creation, *Journal of interactive marketing*, 18(3): 5-14.

- Prahalad, C.K. & Ramaswamy, V. (2004c). *The future of competition: Co-creating unique value with customers*, Harvard Business School Press. Boston, MA.
- Prahalad, C.K., & Ramaswamy, V. (2004b). *The future of competition: Co-creating unique value with customers*. Boston, MA: Harvard Business School Press.
- Ranjan, K. R., & Read, S. (2014). Value co-creation: concept and measurement, *Journal of the Academy of Marketing Science*, DOI 10.1007/s11747-014-0397-2.
- Roser, T., DeFillippi, R. & Cooke, J.G. (2014). Co-creation in design: how the UK company Own Label combines openness and ownership to manage talent, *Strategy & Leadership*, 45(5): 34-40.
- Russo-Spena, T., & Mele, C. (2012). Five Co-s in innovating: a practice-based view, *Journal of Service Management*, 23(4): 527-553.
- Saarijarvi, H., & Kannan, P.K. (2013). Value co-creation: theoretical approaches and practical implications, *European Business Review*, 1: 6-19.
- Sashi, C.M. (2012). Customer engagement, buyer-seller relationships, and social media, *Management Decision*; 50(2): 253-272.
- Silva, F.J., Camacho, M.A., & Vázquez, M. (2013). Heterogeneity of customers of personal image services: a segmentation based on value co-creation, *International Entrepreneurship Management Journal*, 9:619-630.
- Sjodin, C., & Kristensson, K. (2012). Customers' experiences of co-creation during service innovation, *International Journal of Quality and Service Sciences*, 2:189-204.
- Skaržauskaitė, M. (2013). Measuring and managing value co-creation process: overview of existing theoretical models, *Socialinė Technologijos Social Technologies*, 3(1): 115–129.
- Tavakol, M., & Dennick, R. (2011). Making sense of Cronbach's alpha, *International Journal of Medical Education*, 2(1): 53–55.
- Tynan, C., McKechnie, S. & Chhuon, C. (2010). Co-creating value for luxury brands, *Journal of Business Research*, 63: 1156-1163.
- Vargo, S. L., & Lusch, R. F. (2004). Evolving to a new dominant logic for marketing, *Journal of Marketing*, 68(1): 1-17.
- Vargo, S. L., & Lusch, R. F. (2011). It's all B2B...and beyond: Toward a systems perspective of the market, *Industrial Marketing Management*, 40(2): 181-187.
- Vargo, S. L., & Lusch, R. F. (2016). Institutions and axioms: an extension and update of service dominant logic, *Journal of the Academy of Marketing Science*, 44(1): 5-23.
- Vargo, S.L. & Akaka, M.A. (2012). Value co-creation and service systems (re) formation: A service ecosystems view. *Serv. Sci.* 4: 207–217.
- Verleye, K. (2014). Designing service interfaces for customer engagement in the creation of value. In J. Kandampully (Ed.), *Customer experience management: Enhancing experience and value through service management*, 73–97.

- Vivek, S. D., Beatty, S. E., & Morgan, R. M. (2012). Consumer engagement: exploring customer relationships beyond purchase, *Journal of Marketing Theory and Practice*, 20(2): 127–145.
- Wandahl, S., Jacobsen, A., Lassen, A. H., Poulsen, S. B., Denmark, A., & Sørensen, H. (2011). User-driven innovation in a construction material supply network, *Construction Innovation*, 11(4): 399-415.
- Wieseke, J., Alavi, S., & Habel, J. (2014). Willing to pay more, eager to pay less: The role of customer loyalty in price negotiations, *Journal of Marketing*, 78(6): 17-37.
- Witell, L., Kristensson, P., Gustafsson, A. & Löfgren, M. (2011). Idea generation: customer co-creation versus traditional market research techniques, *Journal of Service Management*, 22(2): 140-159.
- Wünderlich, N. V., Wangenheim, F. V., & Bitner, M. J. (2013). High tech and high touch a framework for understanding user attitudes and behaviors related to smart interactive services, *Journal of Service Research*, 16(1): 3-20.
- Yi, Y., & Gong, T. (2013). Customer value co-creation behavior: Scale development and validation, *Journal of Business Research*, 66(9): 1279–1284.
- Yim, C. K., Chan, K. W., & Lam, S. K. (2012). Do customers and employees enjoy service participation? synergistic effects of self- and other-efficacy, *Journal of Marketing*, 76: 121-140.
- Zwass, V. (2010). Co-creation: Toward a taxonomy and an integrated research perspective, *International Journal of Electronic Commerce*, 15(1): 11-48.