

Exploring Factors Linking Value Co-Creation and Loyalty Among Cooperative Members: A Qualitative Study

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Abstract

Co-creation is described as the involvement of consumers as active members in the sellers' firms for the creation of value benefitting both parties. Connecting value co-creation with cooperative members in Malaysia however is new in the literature as very little studies have attempted to understand such perspectives. Thus, the purpose of this study is to deepen the understanding and explore variables that could link value co-creation with cooperative member's loyalty. Using focus group interview as the method of data collection, findings reveal that loyalty among cooperative members are likely to be derived when co-creation lead to economic benefits and enhance relationship quality. Ultimately, such loyalty progress towards building commitment and trusting relationships among members.

Keywords: Loyalty; Value co-creation; Service; Perceived economic value.



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1. Introduction

Gaining the loyalty of customers as well as members of an organization is important to ensure the sustainability and good reputation of that organization. This is especially important for service providers where trustworthy relationship with customers is likely to create good image relating to integrity, sincerity, competency and predictability which may well lead to customer loyalty. A possible avenue towards loyalty creation is through co-creation of customers. [Bonsu and Darmody \(2008\)](#) stated that, co-creation is about granting consumers free rein to work with company-provided resources in the production of their own value offerings. [Roser et al. \(2009\)](#) also added that, co-creation is an active, creative and social process, based on collaboration between producers and users, which is initiated by the firm to generate and offer benefits for the customers. In addition, the aim of co-creation is to uplift organizational knowledge processes by involving the customer in the creation of meaning and value, thus narrowing the boundaries of the firm by expanding value creation to the customer. In the context of cooperatives, the need for co-creation is further validated by the contribution demanded of cooperative members in the quest to attain cooperative excellence. It is therefore apt to understand further the roles and responsibility of cooperatives in co-creating value in the effort to establish members' loyalty.

1.1. Research Problem and Research Objectives

The need for further research on cooperatives is amplified as previous studies regarding co-creation on cooperatives in Malaysia rarely emphasize on factors affecting loyalty among members. Scholars such as [Indar \(2006\)](#) focused more on the performance measurement of cooperatives in Malaysia while, the work of [Idris \(2006\)](#) focuses on business potentials of cooperatives. [Yacob \(2006\)](#) on the other hand, looked at human resource management and member relations and management styles among Malaysian co-operative managers. These studies have not specifically tackled value co-creation thus creating the gap in existing body of knowledge in this area. As such, the main purpose of this study is to deepen the understanding of value co-creation affecting cooperative member's loyalty towards their cooperatives.

2. Literature Review

2.1. Value Co-Creation

The understanding of co-creation implies that benefits can be gained when members in organizations collaborate and interact with external stakeholders leading to the development and enhancement of relationships with customers thus obtaining better perspectives of their needs and wants. Co-creation implies that individuals or organizations interacting with one another to develop value ([Windisch, 2011](#)). The concept of co-creation from the customers'

perspective would provide the benefit of better products and services, ability to learn new things, and gain better work reputation. Forsström and Törnroos (2005) stated that, value co-creation is the process by which the resources of two parties are combined in order to achieve something that one of the parties could not achieve alone. Bonsu and Darmody (2008) acknowledged that, co-creation is about granting consumers free rein to work with company-provided resources in the production of their own value offerings, thus benefiting all parties in the collaborative process.

2.2. Loyalty and Organization

There are several factors that affect loyalty in an organization including reward and compensation, working environment and peer cooperation, employee benefits, and positive relationship with superiors (Maznah *et al.*, 2010). Norizan (2012) further stated that, employees who are satisfied about their given job are likely to achieve their happiness as reflected in their quality of job output and this will contribute to organizational success. Brown *et al.* (2011) suggested that, employee commitment and loyalty are positively associated with higher levels of workplace performance. On the same note, in the context of cooperatives, it is expected that members are more likely to be highly committed when they feel strong and positive relationship with their cooperatives. Satisfied members will stay loyal and be committed to cooperatives' activities.

2.3. Service and Loyalty

Ivanauskienė and Volungenaite (2014) established that service quality and commitment are related to loyalty. This is echoed by Van (2012) who found that high service quality is positively interrelated with customer loyalty. This means the higher the quality of the service, the higher the potential of customers becoming loyal. As such, service providers should take into consideration pertinent points when delivering services to the customers. They are firstly to deliver a "perfect" product or service that meet customers' needs; secondly is to show care to customers; thirdly is timely delivery; and subsequently is to have an effective problem resolution process (Forbes, 2013). In addition, service provider needs to understand that loyalty is more than just behavior. Ranade (2012) establishes that loyalty exists when a customer continues to believe that the organization's product or service offer is their best option.

3. Methodology

This study focuses on thirteen participants involved in a focus group interview. They were cooperative members with different positions, background, and have been cooperative members for at least a year. The cooperatives identified for the study were Koperasi Pelabuhan Rajang, Koperasi Serbaguna Miri, and Koperasi Kuching. Each focus group discussion used a Moderator's Outline with a check list of questions on several sub-topics in the form of open-ended questions. The interview responses were transcribed and coded and subsequently subjected to a thematic analysis. The ultimate results were themes that were deeply established.

4. Results and Findings

The analysis commenced with the iterative process of linking the extent of co-creation executed by the cooperative members with dimensions describing loyalty. The questions asked participants on their co-creation involvement and these were then thematically analyzed to describe characteristics of loyalty. The following are themes that were derived from the analysis.

4.1. Economic Benefits as the Pull towards Cooperatives

Loyalty is linked to economic benefits. Members co-create as they see the potential of attaining economic gains. They stay loyal because the cooperatives promise financial and monetary benefits such as support for small businesses, education fees, personal loans and many more. This is evident through the following statements:

"There is no other reason to be a member of this cooperative. This is because, this cooperative ease its members by offering easy loan services, have high yearly bonus and dividend"

MDM DN

"There is such good facility for the members especially when they need help in terms of money. The cooperative offers festive loan, back – to school loan, personal loan. Besides, it also encourages us to invest more for good returns in the future"

MR ZA

Cooperative members stay loyal and will continue to co-create when there are positive financial gains to be derived from their contribution. Co-creation through their involvement in activities and contribution of ideas are likely to continue for as long as economic benefits are there.

4.2. Relationship Quality Encourages Co-Creation and Loyalty

Relationship quality is described in the form of teamwork, sense of belonging, sense of responsibility, trust and commitment existing among cooperative members. When members co-create, the likelihood of developing purposeful relationship is more apparent as described below:

"This is our cooperative. We are the one operating it. It is our responsibility to take care of everything happening in our cooperative. We should have sense of belonging towards this cooperative...."

MR IA

"We are all doing well in the cooperative because of the existence of teamwork..."

MDM DN

Co-creation is further compounded through the relational influence derived from the cooperative set-up. Being members of cooperatives have pushed them to be more involved and therefore the team work factor could be felt distinctively. The sense of belonging is etched among members when they interact in activities meant for the long term good of the cooperatives.

"I definitely feel responsible towards this cooperative because I am the treasurer. My responsibility is to distribute collected dividend and profit to all cooperative members. I have to manage our cooperative account properly and that is the biggest responsibility that I hold..."

MS CB

The relationship quality is displayed through trustworthy interaction among members. Trust may well lead to loyalty when members feel that their co-creation efforts are likely to be appreciated and acted upon when required.

"I think, honesty and trust come first. Everyone must be honest - then only trust can be built. There must be no personal interest. Whatever you do, all is for the cooperative. A lot of business entity failed because there is no trust. When the member knows that top management is taking them for granted, they will refuse to stay..."

MR CJ

Various researchers have concluded the significance of trust in association with loyalty. Wilson (1995) for example expressed that trust is fundamental in building relationships. Zaheer et al. (1998) discovered trust to have a critical part in encouraging closer buyer-supplier relationships by diminishing the tendency of firms to exploit each other. Reichheld and Schefter (2000) express that to obtain the loyalty of clients, trust should first be obtained.

4.3. Commitment and Co-Creation

Co-creation is possible when there is involvement among cooperative members. They co-create because there is likely to be beneficial contribution from their active involvement. This is translated as commitment since cooperative members prioritize cooperative activities as more important than even their own.

"I am, willing to spend my leisure time to get involve in cooperative activities.... they must be willing to sacrifice their free time for the cooperative. Like for me, I would place cooperative matters as my priority rather than my own matter. This is for the good of all..."

MR VT

Hennig-Thurau (2004) proposed that there is no distinction between commitment and loyalty. Numerous researchers also recommended that these two constructs are connected, and that commitment is an antecedent to loyalty (Kelly and Wood, 2000; Morgan and Hunt, 1994). Commitment, according to Berry (1995) is a crucial part of relationship, which will prompt loyalty. In essence, Bettencourt and Brown (1997) suggested that commitment has a solid constructive outcome on loyalty.

5. Conclusion

The qualitative research findings indicate the relevance of co-creation in the cooperative setting leading to distinct relationship quality being developed through such involvement. Members who interact and contribute actively with one another through co-creation process are more likely to achieve relational contentment which is termed as relationship quality. This is characterized through a sense of belonging and team work among members whilst also enjoying economic benefits reaped from the success of the cooperatives. Loyalty is the ultimate benefit of co-creation and in the context of cooperatives; such benefit may spell sustainable existence.

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