**DEMOCRATIC AND POPULAR REPUBLIC OF ALGERIA MINISTRY OF HIGHER EDUCATION AND SCIENTIFIC RESEARCH**

# École Supérieure de Commerce - ESC

**A Dissertation Submitted in Partial Fulfillment of the Requirements for a Master's Degree in Commercial Sciences**

**Specialty: Marketing & Communication**

# The Impact of Value Co-Creation on Customer Engagement, Loyalty, and Innovation in Marketing.

## Case study: IMMAR


Submitted by :

**Sayah Ali Fadi**

**Brahimi Mohamed Nadhir**

Supervised by :

**Prof. Ali Hammoutene**


**Training address:** IMMAR SARL, Dely Ibrahim-Algiers. Algeria

**Training period:** from February 18 to May 17, 2026.

2025/2026

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# ✦بِسْمِ اللهِ الرَّحْمٰنِ الرَّحِيمِ ✦

# إ هـد ا ء

**الحمد لله الذي وفّقني لإتمام هذا العمل، وجعل بعد التعب ثمرة، وبعد السعي نجاحًا.**

**أُهدي هذا الإنجاز إلى والديَّ العزيزين،**
إلى من كانا سندي ودعائي وقوتي في كلّ مرحلة من حياتي،
إلى من غرسا فيّ الصبر والطموح، وأحاطاني بالمحبّة والدعم دون مقابل.
حفظهما الله وأدامهما نورًا يرافق دربي.

**وإلى إخوتي وعائلتي الكريمة،**
الذين كانوا دائمًا بقربي في كلّ مرحلة من هذه الرحلة،
شاركتموني لحظات التعب قبل الفرح،
وكنتم مصدر دعمٍ وتشجيعٍ لا ينقطع.

**وإلى عائلتي الثانية،**
إلى الأشخاص الذين لم تجمعني بهم صلة دم، لكن جمعتني بهم المواقف والمحبة الصادقة،
فكانوا سندًا ورفقةً جميلة في مختلف مراحل هذه الرحلة.

**وإلى شريكي في هذا العمل وصديقي فادي،**
الذي تقاسمت معه الجهد والتعب والتفاصيل الصغيرة قبل الكبيرة،
فكنتَ خير رفيق في هذه الرحلة، فلك مني كلّ الشكر والتقدير.

**كما أهدي هذا العمل إلى أصدقائي في السكن الجامعي،**
الذين شاركوني سنواتٍ مليئة بالذكريات،
بين التعب والضحك، بين الضغط والأمل،
فكنتم العائلة الثانية والسند الجميل في أيام الدراسة.

**وإلى كلّ أصدقائي وكلّ من دعمني بكلمة طيبة أو موقف صادق،**
**لكم مني خالص المحبة والامتنان.**

**كما لا أنسى أساتذتي الكرام،**
**وكلّ من ساهم في تعليمي وتوجيهي طوال مسيرتي الجامعية**

**وإلى المدرسة العليا للتجارة، التي كانت أكثر من مجرّد مؤسسة تعليمية، بل مساحةً للنمو والطموح.**

**وختامًا...**
**إلى فلسطين، أرض الصمود والكرامة،**
نسأل الله أن يرفع عنها الظلم، وأن ينصر أهلها ويثبتهم.

**إلى كلّ هؤلاء...**
أُهدي ثمرة هذا الجهد بكلّ فخر وامتنان.

بـر ا هـيـمـي مـحـمـد الـنـذيـر

# *Dedication*

First and foremost, I would like to express my deepest gratitude to my beloved mother, who is the reason I am where I am today. May God have mercy on her soul.

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**Sayah Ali Fadi**

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# List of Abbreviations

| | |
|---|---|
| **ANOVA** | Analysis of Variance |
| **B2B** | Business to Business |
| **B2C** | Business to Consumer |
| **CRM** | Customer Relationship Management |
| **DART** | Dialogue, Access, Risk Assessment, Transparency |
| **ESC** | École Supérieure de Commerce |
| **H1** | Hypothesis 1 |
| **H2** | Hypothesis 2 |
| **H3** | Hypothesis 3 |
| **H4** | Hypothesis 4 |
| **IMMAR** | Institut Maghrébin des Études de Marché et de Marketing |
| **KMV** | Key Mediating Variables |
| **R** | Correlation Coefficient |
| **$R^2$** | Coefficient of Determination |
| **SDL** | Service-Dominant Logic |
| **SPSS** | Statistical Package for the Social Sciences |
| **VCC** | Value Co-Creation |
| **β** | Beta Coefficient |

# Abstract

This dissertation examines the impact of value co-creation on customer engagement, customer loyalty, and innovation in the context of modern marketing. The study also investigates the moderating role of digital platforms in the relationship between value co-creation and customer engagement. The research is based on the theoretical foundations of Service-Dominant Logic and contemporary relationship marketing approaches, which emphasize the active role of customers in value creation processes. The findings revealed that Value Co-Creation has a significant positive effect on Customer Engagement, Customer Loyalty, and Innovation. These findings confirm the importance of collaborative and interactive marketing practices in improving customer relationships and supporting innovation.

**Keywords:**

Value Co-Creation, Customer Engagement, Customer Loyalty, Innovation.

**Résumé**

Ce mémoire examine l'impact de la co-création de valeur sur l'engagement et la fidélité des clients, ainsi que sur l'innovation, dans le contexte du marketing moderne. L'étude analyse également le rôle modérateur des plateformes numériques dans la relation entre la co-création de valeur et l'engagement des clients. La recherche s'appuie sur les fondements théoriques de la logique dominante du service (Service-Dominant Logic) et des approches contemporaines du marketing relationnel, qui mettent l'accent sur le rôle actif des clients dans les processus de création de valeur. Les résultats ont révélé que la co-création de valeur exerce un effet positif et significatif sur l'engagement des clients, la fidélité des clients et l'innovation. Ces résultats confirment l'importance des pratiques marketing collaboratives et interactives dans l'amélioration des relations avec les clients et le soutien de l'innovation.

**Mots-clés :** Co-création de valeur, engagement des clients, fidélité des clients, innovation.

# INTRODUCTION

# Introduction :

In today's highly competitive and digitalized business environment, companies are increasingly seeking innovative ways to create sustainable value and maintain strong relationships with customers. Traditional marketing approaches, which considered firms as the sole creators of value and customers as passive recipients, are gradually becoming insufficient in markets characterized by technological development, intense competition, and evolving consumer expectations. Customers are now more informed, connected, and empowered through digital technologies and social media platforms, allowing them to actively participate in shaping products, services, and brand experiences.

This transformation has led to the emergence of value co-creation as an important concept in modern marketing theory and practice. Value co-creation refers to the collaborative process through which companies and customers jointly create value through interaction, participation, dialogue, and shared experiences. Rather than simply purchasing products or services, customers increasingly contribute by providing feedback, sharing ideas, participating in innovation processes, and interacting with brands across multiple digital platforms.

The growing importance of value co-creation is closely linked to the development of customer engagement, customer loyalty, and innovation. Through co-creation activities, customers become more cognitively, emotionally, and behaviorally engaged with brands. At the same time, participation in value creation strengthens trust, satisfaction, emotional attachment, and long-term loyalty. Furthermore, customer collaboration contributes significantly to innovation by generating new ideas, improving products and services, and enhancing organizational adaptability in dynamic markets.

Digital platforms such as social media, online communities, websites, and mobile applications have further reinforced this phenomenon by facilitating continuous interaction between firms and customers. These platforms enable organizations to involve customers more effectively in co-creation processes and maintain ongoing communication and engagement.

**Main Research Problem**

Despite the growing interest in value co-creation worldwide, little is known about how Algerian consumers experience and respond to co-creation initiatives launched by local companies. Many Algerian firms are investing in digital tools, social media pages, and online

feedback mechanisms, but it is not clear whether these efforts truly enhance customer engagement and loyalty, or whether they remain superficial communication actions.

The main research problem can therefore be stated as:

***How does value co-creation influence customer engagement, loyalty,* and Innovation in Marketing?**

## Research Questions

From this main question, the following sub-questions are derived:

SQ1: How does value co-creation influence customer engagement?

SQ2: Does value co-creation affect customer loyalty?

SQ3: How does value co-creation contribute to innovation?

SQ4: What role do digital platforms play in value co-creation?

## Research Hypotheses :

The following research hypotheses are proposed:

**Hypothesis 1:** Value co-creation positively influences customer engagement.

**Hypothesis 2:** Value co-creation positively influences customer loyalty.

**Hypothesis 3:** Value co-creation positively influences innovation.

**Hypothesis 4:** Digital platforms significantly moderate the relationship between value co-creation and customer engagement.

## Reasons for Choosing the Research

Several reasons motivated the choice of this topic. First, value co-creation is a modern and dynamic concept that reflects current changes in marketing practice, especially with the growth of digitalization and social media. Working on this theme will allow a better understanding of how marketing is evolving from a one-way communication model to a collaborative, participative approach.

Second, the Algerian context is under-researched. Most empirical studies on value co-creation have been conducted in developed economies and in multinational companies. This dissertation aims to fill a gap in the literature and provide evidence from a local market with its own cultural and economic specificities.

Third, the topic is personally and professionally relevant. As a Marketing and Communication student, mastering concepts such as co-creation, engagement, and loyalty is essential for a future career in marketing, brand management, or digital strategy. The research process will also develop skills in designing questionnaires, collecting data, and using statistical tools.

Finally, this theme was selected in consultation with the supervisor, who validated its academic interest and its feasibility within the time and resource constraints of a Master's dissertation.

**Methodological Framework**

In order to address the general research problem and verify the proposed hypotheses, a documentary research was conducted to understand the theoretical foundations related to the concepts of Value Co-Creation, Customer Engagement, Customer Loyalty, Innovation, and Digital Platforms. This literature review is based on the principles of Service-Dominant Logic as well as contemporary relationship and interactive marketing approaches.

Furthermore, a quantitative study was carried out through a questionnaire survey directed to consumers interacting with brands. The questionnaire was designed according to the objectives of the research in order to examine the relationships between the different variables of the study.

Finally, a quantitative analysis of the collected data was conducted using SPSS software through descriptive statistics, correlation analysis, and regression analysis in order to test the proposed hypotheses.

**Work Plan**

Our research work is structured into two main parts: a theoretical part and a practical part.

The first part is devoted to the theoretical framework of the study. It presents the evolution of marketing thought, the foundations of the concept of value and value co-creation, as well as the notions related to customer engagement, customer loyalty, innovation, and the role of digital platforms.

The second part represents the empirical study. It focuses on analyzing the impact of Value Co-Creation on Customer Engagement, Customer Loyalty, and Innovation, as well as examining the moderating role of Digital Platforms in the relationship between Value Co-Creation and Customer Engagement.

# Chapter 1:

# Value Co-Creation in Marketing

# CHAPTER 1: VALUE CO-CREATION IN MARKETING

## Introduction :

In increasingly dynamic and competitive markets, the ability of firms to create meaningful and sustainable value has become a critical challenge. Traditional marketing approaches, which position companies as the primary creators of value, are gradually losing relevance in environments characterized by digital transformation, empowered consumers, and intensified competition. Today, customers are no longer passive recipients of offerings; they are informed, connected, and actively involved in shaping their consumption experiences.

This shift has led to a fundamental reconsideration of how value is understood and generated. Rather than being embedded in products or delivered through transactions, value is now seen as emerging from interactions between multiple actors, particularly between firms and customers. These interactions are increasingly facilitated by digital technologies, social media, and interactive platforms, which allow continuous dialogue, participation, and collaboration.

As a result, the concept of value co-creation has gained significant importance in both academic research and managerial practice. It reflects a move toward more participatory and experience-based approaches, where value is jointly constructed through engagement, resource integration, and shared experiences. This perspective challenges traditional boundaries between production and consumption, as well as between organizations and their external environment.

Understanding this transformation is essential for analyzing contemporary marketing strategies, especially in contexts where customer expectations are evolving, and competitive advantage depends not only on what firms offer, but also on how they engage with their customers. In emerging markets such as Algeria, where trust, social influence, and perceived value play a crucial role in consumer behavior, the relevance of co-creation becomes even more pronounced.

Therefore, this chapter aims to establish the theoretical foundations necessary to understand value co-creation by exploring the underlying evolution of marketing thought and the changing nature of value. It provides a conceptual basis for examining how firms and customers interact to jointly create value, setting the stage for the empirical analysis developed in the following chapters.

# Section 1: Evolution of Marketing Thought

Over the years, marketing has advanced through multiple phases driven by changes in customer demands, economic circumstances, and levels of competition. The ongoing progression of marketing can be categorized into five paradigms: product-focused marketing, transaction marketing, relationship marketing, service-dominant logic, and finally, co-creation logic.

## 1. Product-focused marketing :

Product-focused marketing began when companies operated during the Industrial Revolution, when demand exceeded supply (high demand, few competitors). During this era, firms focused primarily on producing and distributing their goods in the most efficient manner possible. The underlying assumption was that customers would purchase products that were widely available and affordable.

In this context, value was considered embedded in the product during the production process. The value of the goods produced was assumed to be transferred to the customer once the goods were produced, as part of the exchange. Customers were viewed to have no role in the creation of value, but to simply purchase or use goods produced as a means of generating revenue for the firm (Vargo & Lusch, 2004).

This idea was further developed into what Vargo and Lusch referred to as a goods-dominant logic, where tangible goods were the predominant element of economic exchange (Vargo & Lusch, 2004).

## 2. Transaction Marketing :

As the competition grew stronger and customers desired more options, companies switched from a relationship-oriented strategy to a transaction-focused strategy. The goal of this type of marketing is to increase sales revenue, capture market share, and improve financial performance.

In a transactional marketing model, marketing efforts focus on attracting customers to make purchases and then efficiently completing the transaction. Marketing success is measured by revenue growth and sales performance, not by retaining customers or developing customer loyalty.

Although transactional marketing improved promotional tactics and selling techniques, it did not sufficiently address the need for customer satisfaction and long-term customer engagement (Grönroos, 2011).

## 3. Relationship Marketing :

During the late 20th century, limitations of Transactional Marketing created an opportunity for the growth of Relationship Marketing as a business strategy. Relationship Marketing takes the core idea of finding, building, or keeping customers on a long-term basis.

Grönroos indicated that the focus of marketing efforts should be on establishing, maintaining, and developing long-term relationships to create mutual value between the firm and the customer over time (Grönroos, 2011). Trust, commitment, and satisfaction have become key components of organizations' overall strategic approach to marketing. Companies have realized that the profitability of retaining the existing customer exceeds acquiring a new customer base.

This was an important change in thinking, in that no longer was value being created only at the point when goods or services were exchanged, but now was being created by ongoing interaction between the firm and customer throughout the product life cycle.

## 4. From a Firm-Centered to a Network-Based View :

For many years, a company's competitiveness depended on its ability to identify, within the organization, the key activities that create value. This perspective, known as the inside-out approach, focuses mainly on internal resources and capabilities (Porter, 1985).

However, with the development of internet technologies and the increasing intensity of market competition, this view has gradually changed. Researchers and managers now

recognize that value is no longer created only inside the firm. Instead, it is increasingly generated outside the firm's boundaries through interactions with different market actors.

In this new perspective, value emerges from the interaction between multiple stakeholders such as customers, partners, and other actors in the market. Several studies support this shift toward a more collaborative and service-oriented view of value creation (Prahalad & Ramaswamy, 2004; Vargo & Lusch, 2004; Payne et al., 2008; Frow et al., 2011; Marion, 2010).

This evolution highlights a move toward a network-based approach, where competitiveness depends on the firm's ability to manage relationships and interactions rather than relying only on internal activities.

## 5. Service-Dominant Logic :

The introduction of Service-Dominant Logic (SDL) by Vargo and Lusch has been a major milestone in marketing (Vargo & Lusch, 2004). SDL shifts from a goods-oriented perspective on marketing towards a service-oriented perspective on marketing. SDL redefines services as utilizing knowledge and abilities to benefit others and create value through exchange.

Under SDL, value is not found within the product; it is co-created between organizations and their customers during the interaction of those two parties. Customers contribute to the creation of value by combining their resources, such as knowledge and experience, with those of the organization. Value is created when the product is used; thus, we call it value-in-use.

By changing the view of customers from passive recipients to active contributors in creating value, the SDL frameworks have changed how we view the customer in the value co-creation process.

## 6. Co-creation logic :

The emergence of the Value Co-Creation approach, from Service-Dominant Logic, is now an essential topic of current marketing practice as explained by Prahalad and Ramaswamy (2004), who suggest that the creation of joint customer and company value takes place via interaction and dialogue, as well as transparency of actions. They created the "DART Model"

to outline the 4 components of Co-Creation: Dialogue, Access, Risk assessment, and Transparency.

Subsequently, Payne, Storbacka, and Frow (2008) developed frameworks for managers to systematically manage co-creation within their organizations. The paradigm shift in how consumers interact with companies through the use of digital technologies and social media has made it easier for them and more widespread in their participation in value co-creation.

Co-Creation Logic represents the most advanced stage in the evolution of Marketing theories due to its focus on collaboration between companies and consumers, Mutual benefit through interaction, and creation of value for both parties who participate.

To sum up, as marketing continues to evolve from being product-focused and transaction-based into a collaborative and interactive model, this change demonstrates the growing recognition of the customer's role as an active participant in the co-creation of value. Understanding this evolution created the theoretical basis for analyzing the Co-Creation of value and how it affects Customer Engagement, Loyalty, and Innovation.

# Section 2: The Concept of Value in Marketing

The concept of value is central to marketing, as it explains how customers evaluate products and services and make purchasing decisions. However, value is not a simple concept, as it encompasses both objective aspects, such as price and quality, and subjective aspects, including individual perceptions and experiences.

Over time, the understanding of value has evolved from a purely economic perspective to a more comprehensive view that considers the customer's role and the importance of interaction and usage. As a result, value is now seen as something that is not only delivered by firms but also perceived and shaped by customers.

## 1. Definition of Value :

The concept of value is one of the most fundamental notions in marketing and economics. It plays a key role in understanding how customers evaluate products and services.

There is no single, global way to define it. Value is commonly thought of as the benefits received from a product or service relative to the benefits given up to obtain it. The value of a product or service is tied to monetary (cost), time, effort, or psychological amounts that were spent to acquire it. Benefit can be functional, emotional, or personal (Zeithaml, 1988).

Marketing theory defines value as the relative worth of a product or service assessed by the customer based on their perceived benefits received and the amount of sacrifice that was necessary to acquire the product or service. Therefore, value includes both objective value (for example, price and quality) as well as subjective value based on what the customer perceives (Zeithaml, 1988).

More contemporary value theories are: "value is not created by firms alone but exists as an outcome of the interaction between firms and customers." (Grönroos, 2008) As such, value is co-created amongst firms and customers based on the use of the product/service, the relationships between them and each other, and the way they interact with the product or service.

## 2. Economic Value vs. Perceived Value :

In the literature, value is often analyzed through different dimensions that reflect both objective and subjective aspects. One of the most common distinctions is between economic value and perceived value. While economic value focuses on measurable and monetary aspects, perceived value is based on individual evaluation and experience.

There are two common types or dimensions of value in the literature, which are economic value and perceived value (Zeithaml, 1988).

Economic value is measurable and objective by definition, and expressed in monetary terms, relating to the cost of production, price mechanism, and market exchange, and is created by organisations as a result of producing and selling a good or service (Bowman & Ambrosini, 2000).

Even though a product may be sold for a low economic price, that does not mean it has high value in the view of the consumer. The consumer evaluates the value of the offering, and thus, economic measures alone do not provide an adequate explanation for consumer behaviour (Zeithaml, 1988).

The definition of perceived value is the consumer's subjective evaluation of the benefit experienced in relation to the sacrifice tendered, and this evaluation is subjective and dependent upon each individual's expectations, needs, and previous experience, meaning that two consumers may perceive a different level of value from the same product (Holbrook, 1999).

Perceived value is important from a marketing perspective, as it is strongly related to customer satisfaction, engagement, loyalty, and co-creation (Holbrook, 1999).

In Algeria, consumer behavior is not based only on economic value. Although price is an important factor due to purchasing power, customers often rely on perceived value when making decisions.

For example, many Algerian consumers prefer well-known or trusted brands, even if their prices are higher. This is because trust, product reliability, and brand reputation play a significant role in shaping perceived value. In addition, word-of-mouth and recommendations from family and friends strongly influence purchasing decisions.

Moreover, in some cases, low-priced products are associated with low quality, which reduces their perceived value. As a result, consumers may avoid cheaper options if they doubt their performance or durability.

This shows that perceived value is often more important than economic value in the Algerian market. Therefore, companies operating in Algeria should focus not only on competitive pricing but also on building trust, improving product quality, and enhancing the overall customer experience.

## 3. Value-in-Exchange vs Value-in-Use :

Another important distinction in value theory is between value-in-exchange and value-in-use. These two approaches explain when value is created, either at the moment of purchase or during the use of a product or service.

Within the Value Theory, the difference between what is termed "Value in Exchange" (i.e., an object's value measured at the moment the transaction occurs) and "Value in Use" (i.e., an object's value measured through the usage and consumption of that same object) is discussed. The application of "Value in Exchange" has occurred when the object is purchased or otherwise transferred from one party to another (Vargo & Lusch, 2004). This means that value is placed by the firm on goods and/or services when they are produced, and the value associated with those goods and/or services is conveyed to consumers through the act of exchange (Vargo & Lusch, 2004). Price is often viewed as an indicator of the value provided to customers as goods and/or services are sold.

On the other hand, when value is created during the period of consumption and usage of an object, this is referred to as "Value in Use". Value in use is also influenced by the customer's experience while using the product or service, the usage context, and how the product or service fits into and affects the customer's overall life, thereby creating value over a longer period of time than just at the point of exchange (Grönroos, 2008)

According to service-dominant logic, firms are not able to create value without any help from their customers. Customers create value when they take a firm's value proposition and combine it with their own resources, skills, and experiences to create value for themselves; thus, customers play a key role in creating value (Vargo & Lusch, 2008).

## 4. Experiential Value :

In addition to economic and functional aspects, value can also be understood through the customer's experience. This perspective highlights the importance of emotions, interactions, and personal experiences in the value creation process.

Aside from the functional and monetary advantages, value also includes experience, meaning that customers add emotional and physical attachments through their interactions with products, services, or brands (Holbrook, 1999).

Affective evaluations (e.g., enjoyment, pleasure, excitement, and memorability) create experiential value and have a large impact on how customers evaluate and behave towards products, services, and brands (Holbrook, 1999).

This value has particular importance when looking at service environments, digital customer interaction platforms, and/or interactive environments—customers who have positive experiences are more likely to become engaged with, loyal to, and willing to co-create with companies/brands (Pine & Gilmore, 1999).

Because both experiential and value-in-use are based on creating a great relationship between the customer and the product/service/brand, these two types of values are closely related to each other and focus on the customer's experience rather than solely on the end transaction one receives from purchasing the product/service (Grönroos, 2008).

## 5. Value Co-Creation, Experience, and Interaction Context :

When customers determine value, they often perceive it as part of their overall experience. This experience is influenced by their past interactions and personal perceptions. According to Holbrook (1999), the value an individual gains from a consumption experience is created within a specific interaction context, often referred to as a "situation."

In this sense, the context of interaction plays an important role in shaping the individual's experience. This experience then determines the value perceived by the individual, which can also influence their future experiences.

Furthermore, Beinhocker (2006) describes co-created value as a system of improvement within a specific environment. Value emerges through networks of actors and shared

experiences, where both the subject and the object contribute to creating meaning and, therefore, value (Sarkka, 2011).

Similarly, Grönroos (2010) explains that whether the experience is routine or new, positive or negative, interactions always influence the individual's experience. This experience determines the value generated from the interaction, which can, in turn, affect future service experiences.

In addition, Binkhorst (2006) highlights that the level of individual participation has a direct impact on the experience. The more involved the individual is, the more significant the experience and the resulting value can be.

## 6. Importance of Value for Co-Creation :

The value construct is fundamental to understanding how co-creation is established, as it is primarily concerned with value-in-use rather than value-in-exchange. The value creation process results from customer interaction with companies and from the integration of company resources and customer resources (Grönroos, 2008).

Co-creation arises from active interaction between customers and companies, with customers being the primary architects of innovations, experiences, and outcomes as opposed to simply consuming value that companies create (Prahalad & Ramaswamy, 2004).

Co-created value arises from the individualized and shared experiences that customers and companies have together. Therefore, ongoing dialogue and the ongoing individualization of customer experiences are critical to the co-creation process (Ramaswamy & Ozcan, 2014).

By increasing experiential value and value-in-use, companies can enhance customer engagement/loyalty and stimulate innovation. Therefore, value is a key theoretical grounding for the study of co-creation research (Vargo & Lusch, 2008).

## 7. Interaction as a Source of Value Creation :

The shift from the traditional value chain model to a value network approach has become necessary due to the decreasing separation between the firm and its external environment. Today, the boundaries between the company and the outside world are less clear than before.

As a result, value is no longer seen as something created only within the firm. Instead, it is increasingly understood as emerging from interactions between different actors. According to Vargo and Lusch (2004) and Prahalad and Ramaswamy (2004), value is created through the ongoing interactions between firms, customers, and other stakeholders.

This perspective emphasizes that interaction is now the main place where value is created, rather than the internal processes of the company alone.

# Section 3: Value Co-Creation

One of the most significant advances in modern marketing theory is the concept of value co-creation. It represents a fundamental change in value creation from a firm-centered perspective to a collaborative one where customers actively contribute to value development.

## 1. Value Co-Creation :

### 1.1 Definition of Value Co-Creation :

Value co-creation refers to the collaborative process through which firms and customers jointly create value through interaction. Rather than being created by the company and transferred to the customer, the notion of 'co-creation' requires that customers play an active role in shaping products, services, and experiences.

According to Prahalad and Ramaswamy (2004), co-creation means "the consumer and the company jointly create value by interacting with each other and providing personalized experiences to one another." This indicates that value is created at the time of engagement, through conversation and exchange of ideas, rather than being infused in the physical object alone.

Consumers are not simply passive recipients of previously defined value built into a product; rather, they are active participants in the co-creation of value and have a direct role in creating the final product based on their preferences and needs, as well as in developing and customizing products and services to meet those desires as part of the value they derive from the relationship with the business. In addition to the fact that value is co-created throughout the entirety of the relationship between the consumer and producer, value is also created at the time of the transaction and during every stage of the ongoing exchange (Vargo & Lusch, 2004).

### 1.2 What Value Co-Creation Is Not :

Value co-creation should be clearly understood by explaining what it is not. This helps avoid confusion with other similar concepts.

First, value co-creation is not the same as outsourcing company activities to customers. It is also not just a small customization of products or services. Even if customers are involved, these actions do not reflect true collaboration between the company and the customer (Weber, 2011).

Second, co-creation is different from self-service or customer-only production. In these cases, the customer produces the service alone without any real interaction with the company's employees. This does not represent co-creation, which requires participation from both sides (Meuter & Bitner, 1998).

In addition, co-creation is not the same as co-production when the customer's role is very limited. Real co-creation needs active participation from both the company and the customer.

Finally, co-creation is not the same as Customer Relationship Management (CRM). Even though both focus on understanding customers and improving personalization, co-creation goes further by involving customers directly in creating value together with the company.

### 1.3 Service-Dominant Logic :

Service-Dominant Logic (SDL) is a theoretical framework that shifts the focus of marketing from a goods-centered perspective to one that emphasizes the importance of services and value co-creation.

Service-Dominant (S-D) Logic is a meta-theoretical approach for studying economic and social exchanges in terms of service, defined as the application of competences for the benefit of another (Lusch & Vargo, 2014). S-D Logic can be considered an evolution from the goods-dominant logic that sees value in physical products to an S-D logic that sees value in service exchanges between many actors in co-creating value. In this context, goods are considered as an instrument for service delivery, all actors are considered as resource integrators, and value is uniquely and phenomenologically determined by the beneficiary.

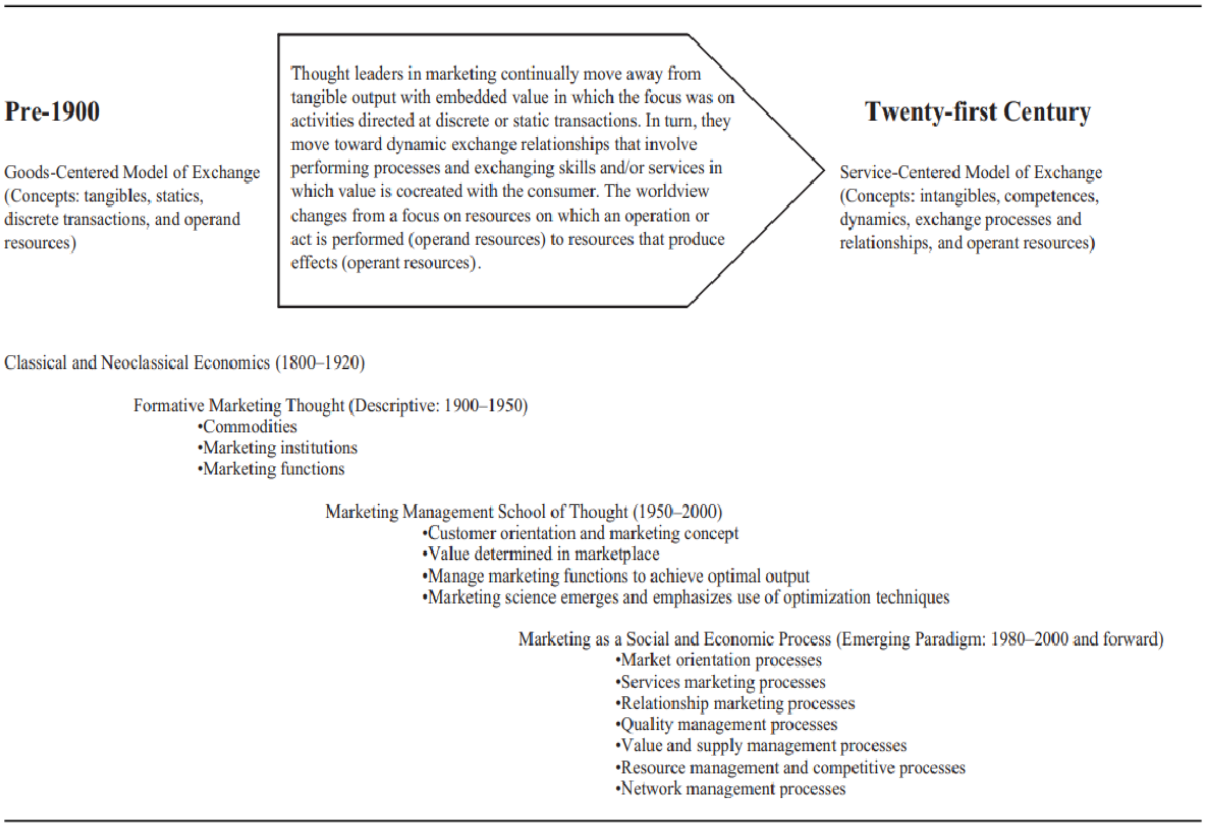
According to SDL:

- Value is not embedded in products.
- Value is created through interaction.
- Customers are always co-creators of value.

- Firms can only offer value propositions.

This framework challenges traditional marketing paradigms and encourages a more integrated and holistic approach to understanding how value is created and exchanged in the marketplace.

**Figure 1: Evolving to a New Dominant Logic for Marketing**




**Source:** Adapted from Vargo & Lusch, 2004, p. 4.

### 1.4 The DART Model :

Prahalad and Ramaswamy were among the first academics to explicitly define co-creation as a business strategy. They suggested that businesses should transition from managing relationships with customers to collaborating with them in developing tailored experiences. Their work emphasized that consumers are informed, connected, and empowered in modern markets.

They proposed the DART model, which serves as a guide for comprehending the components of co-creation (Prahalad & Ramaswamy, 2004).

DART Model is a general framework for analyzing and improving the relationship marketing process. Four components make it important to the development and provision of value to customers:

Dialogue: Providing an avenue for businesses and customers to communicate openly, through dialogue, both businesses and customers have a greater understanding of their wants and needs; therefore, it allows for a much better degree of customisation of the products or services provided by the business.

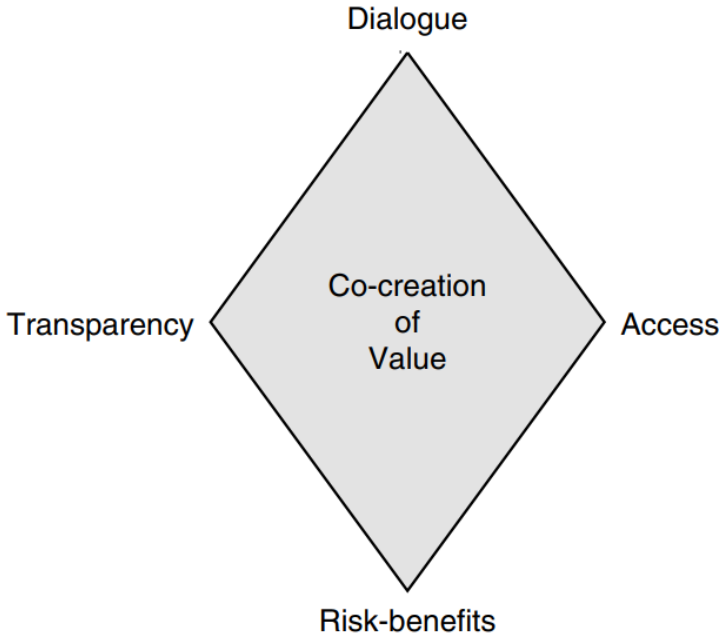
Access: Providing the information and services available to customers so they can get the resources they need, thereby increasing satisfaction with their purchases.

Risk-benefit: The process of identifying and evaluating potential risks will influence consumers' or potential consumers' perception of the risks involved in purchasing a product or service. By helping people understand the risks involved with a recent purchase decision, you can create an environment of trust and confidence in your company and create credibility with your customers.

Transparency: Transparency emphasizes the importance of honesty and openness in business operations, creating an atmosphere of trust between your customers and your company. When your communication and business practices are transparent, it enhances your ability to build trust with your customers.

DART Model provides a guide to achieving success by implementing a service-oriented perspective and is intended to assist companies in establishing greater customer relationships through the use of effective relationship management.

**Figure 2: Building Blocks of Interactions for Co-creation of Value**




**Source:** Prahalad & Ramaswamy, 2004, p. 9.

### 1.5 Resource integration concept :

The concept of resource integration is central to Service-Dominant Logic and value co-creation theory. Resource Integration is the critical process through which businesses (firms) and their customers interact and combine their resources to create new value together. All stakeholders (actors) within the same industry or market participate in this Resource Integration by providing Resources that will lead to Value Creation. According to Vargo and Lusch (2004), all actors in the marketplace are resource integrators, meaning that both firms and customers contribute resources to the value creation process.

The resources that are integrated can be classified as Operant and Operand. Operand Resources are the tangible, physical resources used in the marketplace to facilitate the interaction between participants, such as products, capital equipment, and infrastructure. On the other hand, Operant Resources are the intangible and dynamic resources that facilitate the Value Creation process through the interaction of all resource providers, including knowledge, skills, experience, and creativity. Because Operant Resources provide the

foundation for innovation and adaptation, they are presently viewed as the primary source of competitive advantage in Marketing.

Customers who interact with firms are viewed as an active Operant Resource who can influence value creation; therefore, the Value Created by a Customer is a function of their interaction with a Firm, which causes the Customer to integrate their knowledge, preferences, and experiences as an Operant Resource with the Firm's capabilities and technological structure.

Effective resource integration allows firms to tailor their offerings, enhance customer experiences, and increase perceived value. This perspective reinforces the transition from a transaction-based model of marketing toward a relational and co-creative logic in which value is jointly produced.

**Table 1 : Comparison Between Goods-Dominant Logic and Service-Dominant Logic**

**Operand and Operant Resources Help Distinguish the Logic of the Goods- and Service-Centered Views**

| | Traditional Goods-Centered Dominant Logic | Emerging Service-Centered Dominant Logic |
|---|---|---|
| Primary unit of exchange | People exchange for goods. These goods serve primarily as *operand resources.* | People exchange to acquire the benefits of specialized competences (knowledge and skills), or services. Knowledge and skills are *operant resources.* |
| Role of goods | Goods are *operand resources* and end products. Marketers take matter and change its form, place, time, and possession. | Goods are transmitters of *operant resources* (embedded knowledge); they are intermediate "products" that are used by other operant resources (customers) as appliances in value-creation processes. |
| Role of customer | The customer is the recipient of goods. Marketers do things to customers; they segment them, penetrate them, distribute to them, and promote to them. The customer is an *operand resource.* | The customer is a coproducer of service. Marketing is a process of doing things in interaction with the customer. The customer is primarily an *operant resource*, only functioning occasionally as an operand resource. |
| Determination and meaning of value | Value is determined by the producer. It is embedded in the *operand resource (goods) and is defined in terms of* "exchange-value." | Value is perceived and determined by the consumer on the basis of "value in use." Value results from the beneficial application of *operant resources sometimes* transmitted through *operand resources.* Firms can only make value propositions. |
| Firm–customer interaction | The customer is an *operand resource.* Customers are acted on to create transactions with resources. | The customer is primarily an *operant resource.* Customers are active participants in relational exchanges and coproduction. |
| Source of economic growth | Wealth is obtained from surplus tangible resources and goods. Wealth consists of owning, controlling, and producing *operand resources.* | Wealth is obtained through the application and exchange of specialized knowledge and skills. It represents the right to the future use of *operant resources.* |

**Source:** Adapted from Vargo & Lusch (2004).

### 1.6 Value Co-Creation Between Multiple Actors :

Value is not simply added by one party; instead, it is created together through interactions between different actors who may have different perspectives and expectations. In this sense, value is mutually created or even re-created through these interactions (Ramirez, 1999).

Value co-creation involves not only the company and its customers, but also a wider group of stakeholders. According to Vargo and Lusch (2004), value is jointly created through the collaboration between firms and customers, as well as other involved parties.

In other words, value results from the interaction between providers and customers. However, this process goes beyond the simple relationship between these two actors. It extends to a broader network in which both the company and the customer are embedded. This network may include suppliers, intermediaries, competitors, public authorities, media, and even personal connections such as friends.

## 2. Forms of Co-Creation :

Co-creation is the process by which organisations and customers can co-create value. Customers are more than just consumers; they play a significant role in providing suggestions, implementing ideas, and providing their own experiences and knowledge to improve innovation and customer engagement for firms (Fan & Luo, 2020).

### 2.1 Idea Generation :

Idea generation, in general, is a way for customers to express what they would like to see in the future or solve problems that may exist by providing suggestions. Firms, for example, utilise many different ways of soliciting customer-generated ideas for product design and innovation, including but not limited to many different types of social media. Studies highlight that when customers participate in developing or generating ideas about a concept, they help generate greater levels of creativity through gathering input from other consumers than traditional product development processes (Nambisan, 2002).

### 2.2 Feedback Systems :

Feedback systems are ways that customers provide assessments, ratings, and/or comments to a firm after utilising one of their products or services. Feedback systems allow organisations an opportunity to learn about the success of their products as well as areas they believe to be in need of improvement, which promotes an ongoing process for enhancing their products and/or services (Fan & Luo, 2020). Certain literature reviews demonstrate that structured customer feedback is an important source of knowledge for firms to continue to improve their performance, as well as to refine service delivery methods (Fan & Luo, 2020).

### 2.3 Product Customisation :

Offering customers the opportunity to change/customize different aspects of objects that they buy (e.g., the look and feel of the product, but also how they want it delivered) is a significant reason why people feel connected to brands and are more engaged in the brand/product mix. Studies on co-creation and innovation indicate that allowing customers to create (co-create) items results in a higher level of engagement by the customer because the customer believes their input has a positive impact on the value of the final delivered product (Co-creation innovation literature, ResearchGate).

### 2.4 Brand Communities :

Brand communities are groups of customers who have a common interest in a brand and have created/formed a community around this common interest. Brand communities promote co-creation of value because the members communicate/share experiences, advice, and ideas with each other, and sometimes with the company. Research indicates that when customers participate in brand communities, they assist in co-creating meaning, social value, and a common identity associated with that brand (Muniz & O'Guinn, 2001).

### 2.5 Digital Platforms :

Digital platforms, such as forums focused on innovation, social networking sites, or areas for co-creation activity, are environments where companies can connect with/customers and

interact at a broader scale than before. Digital platforms support the co-creation of value by providing environments that facilitate the exchange of ideas, feedback, experiences, and the co-designing of products/services in real time. Studies indicate that the existence of digital ecosystems encourages more customer participation and improves the efficiency of co-creation processes (Garmann-Johnsen et al., 2024).

## 3. Benefits of Value Co-Creation :

Value co-creation is recognised in current marketing literature as a strategy that creates mutual benefits for both businesses and customers. This is a new paradigm shift with significant implications for customer satisfaction, engagement, and innovation.

### 3.1 Benefits for Customers :

#### 3.1.1 Empowerment and Participation :

The shift from a traditional firm-centric approach to a consumer-centric model enables consumers to play an active role in the value creation process.

Within the consumer-centric model, empowered consumers are not just passive recipients of products and services; they interact with firms to create value (Prahalad & Ramaswamy, 2004). This involves personal interactions between consumers and firms, where consumers express their preferences to influence the products and services they receive. This interaction takes place at multiple touchpoints other than the point of sale, creating a more enriching experience.

Informed and active consumers use their knowledge and connectivity to demand more from the value creation process. They want to participate in designing the experience they receive, creating a more personal and engaging experience with firms.

The empowered consumer can play an active role in the value creation process as a co-participant rather than being controlled by corporate edicts.

The consumer's role as a participant creates a more personal sense of control, leading to greater value and closeness to the firm.

### 3.1.2 Increased Satisfaction :

The notion of customer satisfaction also undergoes significant change within the service-dominant paradigm of marketing. Unlike the traditional focus on products and business transactions in the marketing paradigm, the focus in the contemporary paradigm centers on relationships and the co-creation of value with customers. Hence, in the contemporary paradigm of marketing, satisfaction between the customer and the service provider occurs not merely through the business transaction but also through the relationship between the two parties (Vargo & Lusch, 2004).

Value to the customer is created through the interactions that the customer experiences with the service provider. The focus here centers on understanding the specific needs of the customer and creating solutions that are customized to meet those needs of the customer. This underlines the importance of the voice of the customer in the context of service marketing.

Thus, the notion of customer satisfaction can be summarized as an outcome of value creation between the customer and the service provider over the course of the relationship rather than merely through the business transaction. This underlines the importance of the relational aspect of marketing, wherein customer satisfaction assumes tremendous importance to the service provider as well as the customer.

Payne, Storbacka, and Frow (2008) have asserted that cocreation processes between the customer and the service provider create higher customer experiences through the integration of customer resources. This creates higher levels of satisfaction for the customer as a result of improved perceived quality.

### 3.1.3 Stronger Engagement and Emotional Attachment :

Co-creation also strengthens the emotional and behavioral relationship between customers and brands.

“Customer engagement represents a cognitive, affective, and behavioral commitment to interactions with a brand.” (Nambisan & Baron, 2009).

Consumers choose to participate in these environments as a way to co-create value, driven by perceived benefits that include: learning benefits, which involve acquiring knowledge and skills; social integrative benefits, which create a sense of community; personal integrative benefits, which improve one's reputation and self-efficacy; and hedonic benefits, which create a sense of enjoyment through interaction. Engagement is not just driven by norms but also by the perceived benefits of engagement (Nambisan & Baron, 2009).

Füller argues that participants in virtual co-creation communities develop emotional bonds with the brand, which leads to advocacy and word-of-mouth behavior (Füller, 2010). Thus, co-creation leads to not only transactional relationships but also emotional bonds.

### 3.2 Benefits for Companies :

From the company's perspective, value co-creation contributes to innovation, competitive positioning, and long-term relationships.

#### 3.2.1 Enhanced Innovation :

By leveraging customer insights and feedback, the firm is able to co-create innovative solutions that meet the market needs in a more precise manner. The interaction between the firms and the customers in these environments promotes the sharing of ideas and information, which is a crucial aspect in the creation of new product concepts and improvements. Hoyer reveals the importance of the participation of the consumer in the development of new products in the enhancement of the effectiveness of innovation and the reduction of market failure risks (Hoyer et al., 2010). Similarly, Ramaswamy and Ozcan emphasize that organizations integrating co-creation into their strategy build stronger innovation capabilities and long-term growth potential (Ramaswamy & Ozcan, 2018).

#### 3.2.2 Competitive Advantage :

Companies that integrate co-creation experiences into their strategies can gain a competitive advantage by providing high-quality interactions with consumers, thus creating an

individualized experience aligned with the consumer's individual needs. Additionally, by using co-creation with customers to differentiate themselves from competitors, especially in a marketplace that tends toward commoditization, companies can gain a competitive advantage. According to Prahalad and Ramaswamy (2004), companies that engage their customers openly and interactively develop superior competitive positioning.

Zwass continues to support this idea by asserting that co-creation ecosystems create network-based value that competitors find difficult to imitate (Zwass, 2010). Therefore, co-creation contributes to strategic differentiation.

#### 3.2.3 Customer Loyalty and Trust :

Relational exchanges build customer loyalty by allowing customers to feel involved and appreciated during the service provision process. In addition to focusing on transactions, businesses seek to create a more loyal customer base through customer involvement as co-creators of value over time. As Grönroos stated, "Value is created through relational processes, and through repeated interaction, loyalty can be developed over time." (Grönroos, 2011).

The process of co-creating value through transparency and sharing decision-making with customers enhances both the perceived fairness and credibility of the exchange (Prahalad & Ramaswamy, 2004). If the customer perceives that the firm sincerely appreciates their contributions, there will be an increase in trust and stability of the long-term relationship.

## 4. Risks and Limitations of Co-Creation :

Despite its many advantages, value co-creation also presents several risks and limitations that firms need to consider.

### 4.1 Loss of Control :

One of the main risks of co-creation is the reduced control that firms have over their offerings.

When a firm engages in value co-creation with its customers, the firm loses the ability to exert absolute control over its products/services/brand meaning. According to Prahalad and Ramaswamy (2004), value co-creation requires that firms acknowledge the influence that customers have on their experiences and outcomes; these experiences and outcomes may not necessarily align with the firm's original intentions. This is a fundamental change from the traditional model of a firm producing goods or services for consumption, to a new model that provides an opportunity for equal partnership between the firm and its customers.

### 4.2 Negative Feedback and Brand Risk :

Through co-creating value, customers may provide negative feedback to the firm. The ability to communicate openly with customers allows customers to voice their displeasure and offer criticism of the firm. Grönroos (2008) argues that any negative encounters experienced by a customer during the value co-creation process reduce the overall worth of the co-created value for the customer and negatively affect the brand reputation of the firm. This effect is compounded in a digital or social media environment.

### 4.3 Ethical Issues :

Ethical issues can arise when the customer's contribution to co-creating value is not treated fairly. Ramaswamy and Ozcan (2014) point out several areas in which ethical concerns regarding co-creation exist, including data privacy, lack of transparency, and the use of customer ideas without giving appropriate recognition. When a customer provides time, creativity, and knowledge to a firm as part of the value co-creation process, it is unfair for a firm to capture all of the benefit from those contributions while providing little or no recognition to the customer.

### 4.4 Fake or Symbolic Participation :

Firms may often claim that their consumers have been included in value creation, but, in most cases, the lack of meaningful involvement indicates that the firm is providing nothing more than fake or symbolic participation. According to Vargo and Lusch (2004), for true co-creation to occur, there must be real, meaningful input by the consumer in the value creation

process. The lack of genuine participation in co-creation may also cause a decline in trust and involvement for the consumer.

### 4.5 Over expectations and Customer Disappointment :

Over-expectations can be created for customers through co-creation initiatives. When firms allow customers to be involved in the co-creation of value, they expect that their involvement will result in better products, services, or experiences. If firms do not achieve their customers' expectations, it can result in a loss of customer satisfaction and perceived value rather than an increase in them (Prahalad & Ramaswamy, 2004). Thus, firms must manage their customers' expectations during co-creation initiatives.

## Conclusion :

This chapter highlighted the major transformations that have shaped modern marketing thought and led to the emergence of value co-creation as a central concept in contemporary marketing theory. The evolution from product-focused and transaction-based approaches toward relationship marketing and service-dominant logic reflects a growing recognition of the customer's active role in the value creation process.

The chapter also demonstrated that the concept of value has evolved significantly over time. Value is no longer limited to economic or functional dimensions, but also includes perceived, experiential, and value-in-use aspects that are shaped through interaction and customer experience. In this perspective, value is not created exclusively by firms, but rather jointly developed through collaboration between multiple actors.

Furthermore, the chapter examined the concept of value co-creation, its main theoretical foundations, forms, benefits, and limitations. It showed that co-creation enables firms to strengthen customer engagement, improve innovation, and build long-term relationships, while also presenting certain managerial and ethical challenges.

Overall, this chapter provides the theoretical foundation necessary for understanding the dynamics of value co-creation in modern markets.

# Chapter 2:

# VCC and Customer Engagement, Loyalty and Innovation

# Chapter 2: Customer Engagement, Loyalty, and Innovation

## Introduction :

In today's highly competitive and digitalized environment, companies are increasingly focusing on building strong relationships with customers in order to achieve sustainable growth and long-term success. As customer expectations continue to evolve, firms must go beyond traditional marketing approaches and develop strategies that encourage interaction, participation, and personalized experiences.

In this context, customer engagement, customer loyalty, and innovation have become essential elements of modern marketing strategy. Customer engagement reflects the level of cognitive, emotional, and behavioral involvement of customers with brands, while customer loyalty represents a long-term commitment that strengthens customer retention and relationship stability. At the same time, innovation allows firms to adapt to changing market conditions and create value through new products, services, and experiences.

Recent marketing research highlights the growing importance of interaction and collaboration between firms and customers in shaping these outcomes. Through active participation and shared experiences, customers increasingly contribute to engagement processes, loyalty development, and innovation activities.

Therefore, this chapter examines customer engagement, customer loyalty, and innovation within the framework of value co-creation. It aims to explore the relationship between these concepts and to explain their importance in contemporary marketing environments.

# Section 1: Value Co-Creation and Customer Engagement

Customer engagement has become a key concept in modern marketing. The development of digital technologies and social media has significantly transformed the relationship between firms and customers. Customers are no longer passive buyers; instead, they actively participate as co-creators of value and brand meaning. In this context, customer engagement through cognitive, emotional, and behavioral dimensions has become an important source of competitive advantage.

## 1. Evolution of Customer Engagement :

The concept of customer engagement has evolved alongside the development of marketing theory. According to Pansari and Kumar (2017), marketing has progressed through three main stages: transactional marketing, relationship marketing, and engagement marketing. Transactional marketing focuses on individual exchanges, while relationship marketing emphasizes trust and long-term commitment. Engagement marketing, in contrast, highlights the value created by customers through co-creation and advocacy.

Earlier research by Morgan and Hunt (1994) identified trust and commitment as key elements of relationship marketing. Similarly, Grönroos (2011) emphasized that value creation is closely linked to service relationships. These developments have contributed to the emergence of customer engagement as a more interactive and value-oriented concept.

## 2. Definition of customer engagement :

Customer engagement has been widely discussed in the marketing literature. Van Doorn et al. (2010) define Customer Engagement Behaviors (CEB) as customer actions toward a brand that go beyond purchase and are driven by motivational factors. These behaviors highlight the importance of non-transactional value created by customers.

Brodie et al. (2011) define customer engagement as a psychological state that emerges from interactive experiences between the customer and the brand within a service relationship. This concept is multidimensional, dynamic, and variable in intensity, and it extends beyond simple participation or involvement.

Furthermore, Pansari and Kumar (2017) describe customer engagement as a process that generates value for the firm both directly, through purchases, and indirectly, through referrals, advocacy, and co-creation.

Overall, customer engagement can be understood as a continuous interaction between a company and its customers across multiple channels, aiming to build strong relationships that enhance loyalty and long-term value.

**Figure 3: What is Customer Engagement?**




**Source:** Adapted from https://ideascale.com/blog/what-is-customer-engagement/

## 3. Dimensions of Customer Engagement :

Customer engagement is generally divided into three main dimensions: cognitive, emotional, and behavioral.

The cognitive dimension refers to the level of attention and mental involvement that customers dedicate to a brand (Higgins & Scholer, 2009).

The emotional dimension reflects customers' feelings toward a brand, such as enthusiasm, attachment, and brand love. Brodie et al. (2013) show that emotionally engaged customers are more likely to support the brand and participate in co-creation activities. Similarly, Batra et al.

(2012) associate this dimension with the concept of brand love, which includes passion and long-term commitment.

The behavioral dimension includes observable actions such as word-of-mouth, online reviews, and participation in brand communities. Kumar et al. (2010) link this dimension to Total Customer Engagement Value (TCEV), which includes customer lifetime value, referral value, influence value, and knowledge value.

## 4. Customer Engagement and Value Co-Creation :

Customer engagement is closely related to value co-creation. Brodie et al. (2011) argue that engagement emerges from interactive and co-creative experiences between customers and firms, making co-creation a central element of engagement.

Jaakkola and Alexander (2014) suggest that engagement behaviors represent the main mechanism through which customers participate in value co-creation within service systems. In addition, Füller (2010) demonstrates that co-creation experiences, especially in virtual environments, enhance emotional engagement and psychological ownership.

Oyner and Korelina (2016) further show that customer engagement in co-creation positively influences customer satisfaction. Moreover, digital platforms have strengthened this relationship by enabling firms to involve a large number of customers at a relatively low cost (Srivastava et al., 2025).

## 5. Value Co-Creation and Customer Engagement: Some Empirical Evidence :

Numerous empirical studies support the notion that value co-creation (VCC) and customer engagement are positively related. Scholars utilizing a service-dominant logic framework propose that customer engagement is the outcome of the interactive and participative processes through which companies and customers interact. Numerous empirical studies and systematic reviews have found that co-creation activities greatly enhance customers' cognitive, emotional, and behavioral involvement with brands.

Firstly, Roderick J. Brodie and colleagues (2011) have shown through empirical studies that customers become engaged through interactive experiences where they provide some level of

input (e.g., time, knowledge, effort). Their evidence indicates that engagement occurs not only through transactional behaviours but also through non-transactional behaviours, including participating in brand communities and co-creating (Brodie et al., 2011, pp 252-255). Based on this explanation, it follows that co-creating is an important factor in customer engagement, as it helps customers move from passive consumption to active consumption.

Likewise, further empirical studies show the psychological links between engagement and co-creation. For instance, a study on brand Co-Creation found that psychological benefits (e.g., fun, self-expression, and learning) increase customer participation; therefore, the higher the customer participation, the greater the level of customer engagement (France et al., 2016, pp. 15-18). This demonstrates that VC benefits customers' engagement by meeting their intrinsic needs in addition to fulfilling their functional needs.

Additionally, large empirical studies support the relationship between contextual and organizational factors in creating this connection. For example, a study of the hospitality industry with 570 subjects found that the quality of service climate and communication positively impacted employee participation in VC, resulting in increased levels of employee engagement (Nguyen et al., 2021, pp. 90-94). Although this study focused on employees, it supports the idea that co-creation activities create consistently higher levels of engagement for all participants.

Also, systematic literature reviews support the linkage between VCC and engagement. Hollebeek et al. (2019) completed a systematic review of over 100 studies and concluded that stakeholder engagement is fundamentally a part of co-creation processes, encompassing cognitive, emotional, and behavioral aspects (pp. 3-6). Their findings illustrate that engagement is an outcome of a co-creation system and an essential part of all co-creation systems, demonstrating that the two concepts are interdependent.

From the perspective of service ecosystems, empirical studies indicate that co-creation leads to engagement through continuous interactions and resource integration among multiple actors. Studies indicate that engagement occurs in networks where stakeholders collaborate and integrate their resources to co-create value, resulting in increased participation and interactions among the stakeholders (Vargo & Lusch, 2016, p. 18). In this way, the service ecosystem perspective extends our understanding of engagement beyond single relationships to include the relational dynamics of complex systems.

## 6. Effect Sizes and Key Mechanisms :

Many quantitative empirical Studies have demonstrated moderate to large effect sizes of Engagement and VCC, although effect sizes are contextually and measurement-driven, and some SEM Studies report statistically significant positive coefficients between VCC and Engagement constructs. Many of these effects are likely due to either mediating or moderating variables that increase the strength of the relationship between co-creation participation and engagement variables.

Several mediating variables explain how value co-creation (VCC) leads to higher levels of customer engagement. First, psychological benefits such as enjoyment, empowerment, and self-expression play an important role in motivating customers to participate in co-creation activities. According to France et al. (2016, pp. 15–18), customers who perceive these benefits are more likely to become actively involved in interactions with firms and brands. In addition, perceived value and customer experience strengthen both emotional and cognitive attachment to the brand, which further increases engagement. Trust and satisfaction also act as important mediators in this relationship. When customers feel satisfied with the co-creation experience and trust the company, they are more likely to maintain continuous interaction and long-term engagement. Therefore, co-creation does not generate engagement directly, but rather through several psychological and relational mechanisms that positively influence customer participation and involvement.

The relationship between value co-creation and customer engagement is also influenced by several moderating variables that can strengthen or weaken this connection. One important factor is communication quality, both internal and external, as effective communication encourages interaction and improves the co-creation experience. Social media interaction also plays a significant role by facilitating dialogue, participation, and information sharing between firms and customers. In addition, customer characteristics such as motivation, skills, and willingness to participate can affect the level of engagement generated through co-creation activities. The context of interaction is another important moderator, as engagement outcomes may differ between online and offline environments. For example, Nguyen et al. (2021, pp. 92–94) found that supportive communication environments significantly enhance engagement outcomes in co-creation settings.

# Section 2: The Impact of Value Co-Creation on Customer Loyalty

Customer loyalty is considered one of the most important objectives of modern marketing strategies, as it contributes to customer retention, long-term profitability, and competitive advantage. In increasingly competitive markets, companies seek not only to attract customers but also to build durable relationships that encourage repeated purchases and positive attitudes toward the brand.

## 1. Understanding Customer Loyalty :

### 1.1 Definitions :

The concept of customer loyalty is important to marketers and refers to the dedication of a customer to have a long-term relationship with a brand. They will not only buy from the same brand again but also have positive feelings toward the brand and will tell others about the brand.

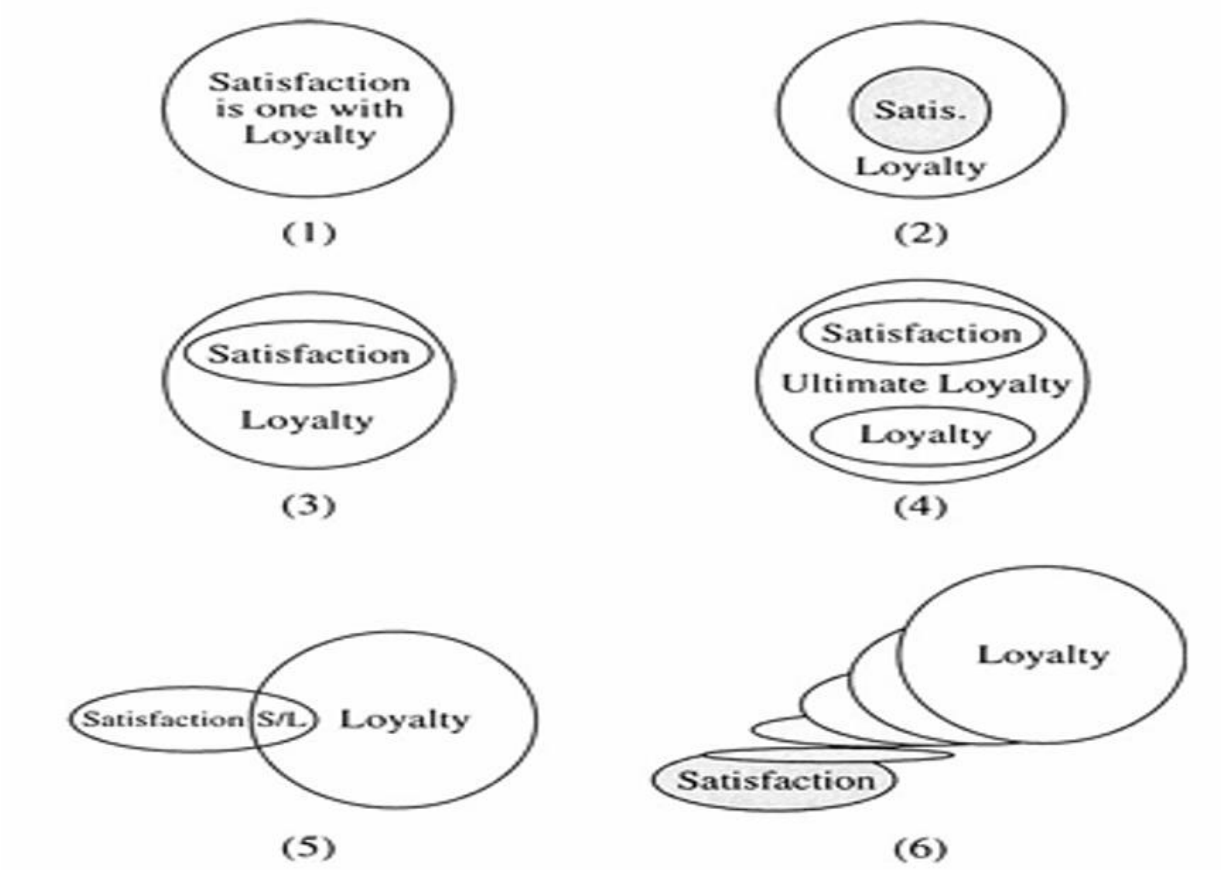
Oliver (1999, pp. 34-36) describes customer loyalty as a strong commitment to buy a specific product or service again in the future, regardless of events or marketers' claims; it emphasizes that there is always both an action component and a feeling component in loyalty.

Practitioners approach customer engagement (CE) from an organizational perspective, viewing it as a set of activities designed to encourage repeated interactions and to strengthen customers' emotional, psychological, and behavioral investment in a brand (Sedley, 2010, p. 7). In contrast, scholars in the field of information systems conceptualize CE as the level of customer participation in interactions not only with the firm's representatives but also with other customers, particularly within processes of collaborative knowledge exchange (Wagner & Majchrzak, 2007, p. 20).

Customer loyalty cannot be fully understood without considering the role of satisfaction. According to Richard L. Oliver (1997), satisfaction refers to a pleasurable sense of fulfillment that occurs when consumption meets a consumer's needs, desires, or expectations. It reflects the evaluation of an experience based on a continuum ranging from pleasure to displeasure. However, a single satisfying experience is not enough to create loyalty. Instead, loyalty develops when satisfaction is repeated over time, allowing multiple experiences to accumulate and form a more stable evaluation (Oliver, 1997).

Despite this strong relationship, satisfaction alone does not guarantee true loyalty. Oliver (1997) argues that loyalty goes beyond satisfaction and involves a deeper level of commitment. In this sense, loyalty can be understood as a strong and enduring intention to continue purchasing a preferred product or service consistently in the future, even when there are external pressures or attractive alternatives that may encourage switching behavior (Oliver, 1997, p. 392).

**Figure 4: Relationship Between Customer Satisfaction and Loyalty**




**Source:** Adapted from Richard L. Oliver (1999), *Whence Consumer Loyalty?*

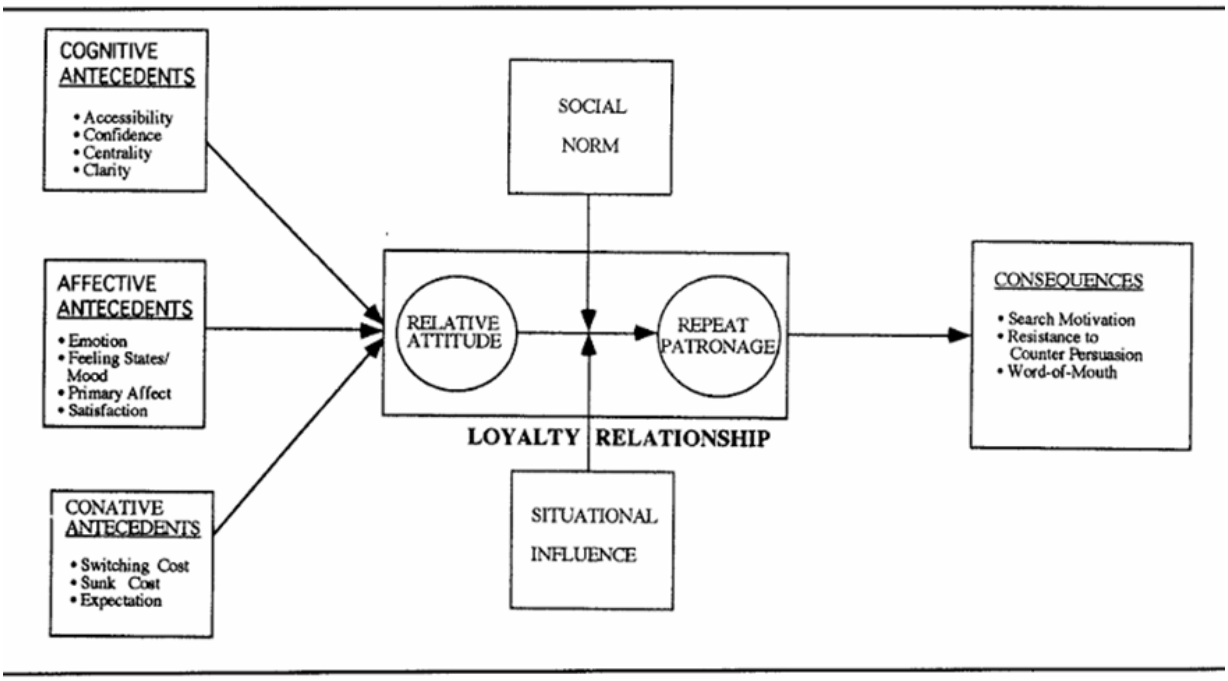
### 1.2 Dimensions :

Customer loyalty is widely recognized as a multidimensional concept that includes both psychological and behavioral components. According to Alan S. Dick and Kunal Basu (1994), loyalty results from the interaction between attitudes and repeat purchasing behavior,

which can evolve into stronger forms of commitment. In this perspective, cognitive loyalty refers to the customer's rational evaluation of a brand based on its perceived superiority in terms of quality or value. Affective loyalty develops when customers form emotional attachments and positive feelings toward the brand following satisfying experiences. Conative loyalty represents a higher level of loyalty, where customers express a strong intention and willingness to continue purchasing the brand in the future. This intention is then translated into action loyalty, which is reflected in consistent repurchasing behavior and resistance to switching, even when alternative options are available (Dick & Basu, 1994, pp. 100–102). In addition, recent studies emphasize advocacy as an important extension of loyalty, where customers go beyond repeat purchase and actively recommend the brand to others. This dimension highlights the role of loyal customers as promoters who contribute to the firm's image and influence other consumers' decisions.

### 1.3 Attitudinal vs. behavioral loyalty :

**Figure 5: A Framework for Customer Loyalty**




**Source:** Adapted from Dick, A. S., & Basu, K. (1994). *Customer loyalty: Toward an integrated conceptual framework*. *Journal of the Academy of Marketing Science*, *22*(2), 99–113.

This framework, proposed by Alan S. Dick and Kunal Basu (1994), explains customer loyalty as the result of both attitudes and behaviors. It shows that loyalty is formed through three main antecedents: cognitive (beliefs such as quality and clarity), affective (emotions, satisfaction, and feelings), and conative (intentions influenced by switching costs and expectations). These factors shape the customer's relative attitude toward a brand, which, together with repeat patronage (actual purchasing behavior), creates the loyalty relationship. The model also highlights that this relationship is influenced by external factors such as social norms and situational influences, which can strengthen or weaken loyalty. Finally, loyalty leads to important consequences, including increased motivation to repurchase, resistance to competitors, and positive word-of-mouth.

## 2. How Value Co-Creation Drives Loyalty :

Numerous theories explain how value co-creation relates to customer loyalty.

### 2.1 Social Exchange Theory :

Social Exchange Theory explains relationships as a series of interactions in which benefits and costs are exchanged. According to George Homans and later expanded by Peter Blau, individuals engage in relationships when they perceive the benefits to outweigh the costs (Homans, 1958, pp. 597–599; Blau, 1964, pp. 88–97).

In the context of VCC, customers invest time, effort, knowledge, and sometimes emotional energy into interactions with firms. In return, they expect rewards such as better products, recognition, or improved experiences. When customers perceive that the firm responds fairly and reciprocates their contributions, a sense of obligation develops (Blau, 1964, pp. 88–97). This reciprocity strengthens the relationship and encourages continued engagement.

For example, when customers provide feedback or ideas and see them implemented, they feel valued. This perceived fairness increases satisfaction and trust, which ultimately leads to loyalty. On the other hand, if customers feel ignored or exploited, the relationship weakens.

Thus, VCC enhances loyalty by creating a balanced exchange where both the firm and the customer benefit. The more positive and fair the exchange, the stronger the customer's willingness to remain loyal (Blau, 1964, pp. 88–97; Homans, 1958, pp. 597–599).

### 2.2 Commitment-Trust Theory :

Morgan and Hunt's Commitment-Trust Theory states that the success of a long-term relationship depends upon both parties having trust in each other and a commitment to maintaining that relationship. Trust is defined as the level of confidence that one partner has in the reliability and integrity of the other partner (Morgan & Hunt, 1994, p. 22-23). Commitment is an indicator of the degree to which one partner wishes to continue the valued relationship (Morgan & Hunt, 1994, p. 22-26).

In a collaborative relationship like Value Co-Creation (VCC), the firm demonstrates its commitment to the individual customer by using transparency to communicate with customers, collaborating with customers, and involving customers in shared decision-making. This transparency provides customers with certainty in knowing that the firm will act in good faith, thereby enabling the customer to have confidence in the firm.

After establishing a relationship of trust, the customer is more likely to develop an emotional attachment to the firm, creating a commitment to continue to work with the firm over time. Morgan and Hunt further establish the relationship between trust and commitment as well as how trust influences commitment to create loyalty by providing customers with the opportunity to be actively involved with the firm (Morgan & Hunt, 1994, p. 24-27). It is through the combination of trust and commitment that VCC builds a loyal customer base.

### 2.3 Sunk Costs :

The sunk cost effect is when an individual continues to decide because he or she has already put time, effort, or money into that decision. According to Hal R. Arkes and Catherine Blumer, the sunk cost effect is a form of persistence to continue with a course of action based on prior investments (Arkes & Blumer, 1985, pp. 124–126).

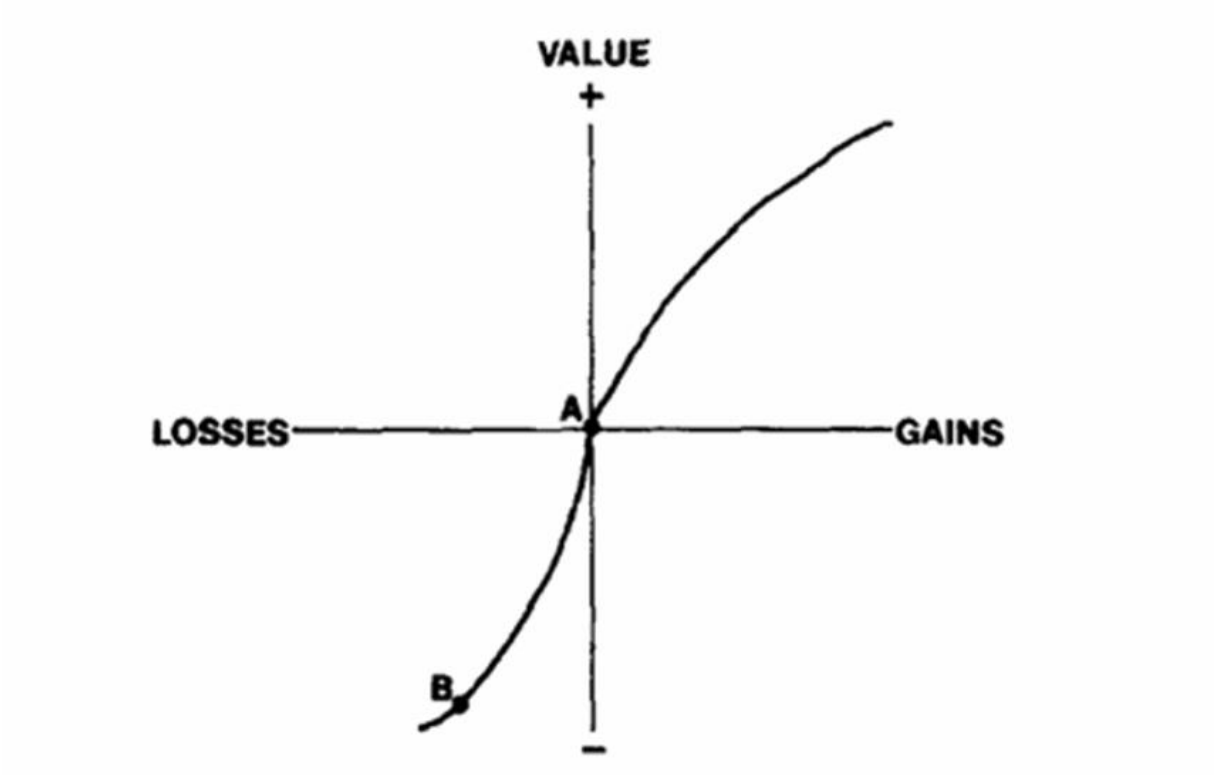
In VCC, many customers invest time and resources into a company by providing ideas or customizing products. This leads to developing emotional attachments to brands. As stated by Arkes and Blumer (1985, pp. 130–134), people tend to act consistently after having made previous investments.

An additional way to understand the behavior of individuals is through the value function utilized in Prospect Theory, created by Daniel Kahneman and Amos Tversky (1979). As shown in Figure 1, the value function is an S-shaped curve based on a reference point and

indicates that people feel losses more than they enjoy gaining (loss aversion). In addition, when people perceive losing an ongoing investment (by switching brands) as a loss, individuals will continue their behavior to avoid feeling the loss associated with abandoning the previous brands.

Consequently, many customers may not want to change suppliers since that would involve writing off the value from their previous supplier. This leads to a lock-in effect – reinforcing loyalty through accumulated engagement over time.

**Figure 6: Value Function of Prospect Theory**




**Source***:* Adapted from Kahneman, D., & Tversky, A. (1979). *Prospect theory: An analysis of decision under risk. Econometrica, 47*(2), 263–291.

By engaging with the consumer during co-creation processes, the consumer will create a connection with the brand due to the time and effort they put into sharing their ideas and opinions with the company, creating that product or service. The consumer will be more

attached emotionally and have a higher probability of committing to that brand rather than going to a competitor's offering.

### 2.4 Customization and Fit :

Customization allows companies to adapt their products or services to each individual's unique requirements. In VCC, consumers are directly engaged in helping companies make these adaptations, and as a result, there are greater congruences between customers' expectations for the product and the actual goods that will provide them satisfaction.

Franke et al. (2009) demonstrate that personalizing gives rise to increased perceived benefits through shaping the compatibility between consumer demands and the attributes of the products sold to them.

When users believe that their products are created specifically for them, they are much more likely to have greater levels of satisfaction with the result. In turn, this creates less motivation for them to consider competitive options, thereby continuing to purchase. Numerous studies have proved that personalized products lead to higher levels of both satisfaction and willingness to pay (Franke et al., 2009).

Therefore, by leveraging VCC, businesses can promote customer loyalty by reinforcing the relationship between consumer expectations and what businesses provide.

### 2.5 Emotional Connection :

Emotional connections are active ingredients linking VCC to loyalty; as customers create value, they begin to develop positive feelings (pride/ gratitude/ partnership).

Morris B. Holbrook has pointed out that customer value is made up of not only measurable functions but also of emotional (experiential or intangible) aspects (Holbrook, 1994, pp. 22-25), and developing emotion through VCC makes customers feel they are part of the process of creating value, thereby bonding them more to that value creator.

Like Holbrook, C. K. Prahalad and Venkat Ramaswamy believe that co-creation occurs through customer interaction and engagement in the process of creating value, increasing the emotional connection that results from their participation as part of that interactive process in creating value (Prahalad & Ramaswamy, 2004 pp. 7-9); providing meaning and memorable

experiential interactions (Prahalad & Ramaswamy, 2004 pp. 10-12); creating this type of emotional bonding experiences strengthens the relationship and provides a stronger and more enduring loyalty.

### 2.6 Community and Social Capital :

VCC usually happens between clients who are located within the same community and can share various experiences. Janine Nahapiet and Sumantra Ghoshal define social capital as the value created by networks, relationships, and shared norms (Nahapiet & Ghoshal, 1998, pp. 243-245).

In community interaction, customers create relationships, share knowledge, and work together. This all helps add value. Networks help create opportunities for users to interact with one another and provide them an opportunity to share knowledge (Nahapiet & Ghoshal, 1998, pp. 250-252).

Also, brand communities, as explained by Albert M. Muniz Jr. and Thomas C. O'Guinn, consist of groups of people that are connected by an identification, relationship, and brand (Muniz & O'Guinn, 2001, pp. 413-415). Such brand communities strengthen loyalty through creating a sense of belonging (Muniz & O'Guinn, 2001, pp. 418-422).

Ultimately, customers develop an attachment to both the brand itself and to the community and therefore develop higher switching costs and increased loyalty.

In conclusion, value co-creation drives customer loyalty through multiple theoretical mechanisms. Social Exchange Theory highlights reciprocity and fairness, Commitment-Trust Theory emphasizes trust and commitment, and the Sunk Cost Effect explains how prior investments create attachment. Customization improves the fit between products and customer needs, while Emotional Bonding strengthens affective connections. Finally, Community and Social Capital embed customers within networks that increase switching costs.

Together, these mechanisms demonstrate that VCC is a powerful strategy for building strong and sustainable customer relationships.

## 3. Review of Longitudinal and Comparative Studies :

Many researchers have examined how long-term customer loyalty is affected by the use of Value Co-Creation (VCC) as a strategy. Tracking data over an extended period is necessary to demonstrate how customer behavior and relationship development evolve using longitudinal studies. Some researchers, such as Prahalad and Ramaswamy (2004), found that companies that support their customers' participation in the co-creation process have better customer retention and higher levels of customer engagement over time, and this co-creation ultimately improves the customer's overall experience, thus leading to long-term loyalty.

Similarly, comparative studies show that customers who actively participate in co-creation behave differently from passive customers. For instance, customers involved in co-creation are more likely to remain loyal, provide feedback, and engage in repeat purchases. These findings are consistent with research indicating that participatory customers develop stronger relationships with firms due to their involvement in the value creation process (Vargo & Lusch, 2004, pp. 6–9).

Finally, longitudinal studies have also been conducted on digital and online community platforms with regard to how contributing participants demonstrate higher levels of customer loyalty than non-contributing participants. Overall, these findings demonstrate that interaction with customers, whether through online or digital platforms, is an essential factor in fostering a long-term relationship between customers and businesses.

## 4. Direct and Indirect Effects of VCC on Customer Loyalty :

According to research, customer loyalty can be influenced by value co-creation (VCC) both through direct and through mediating variables (e.g., satisfaction, trust).

### 4.1 Direct Effects :

Many studies have indicated that consumer value co-creation has a direct positive effect on customer loyalty. As consumers are engaged in the co-creation process, they develop feelings of ownership and attachment towards the co-created product or service. This type of engagement results in increased loyalty behaviors (re-purchase and promotion) towards the company.

Research indicates that consumer participation in co-creation activities has a direct effect on behavioral loyalty by providing them with more consumer engagement and lessening the likelihood of switching to another company (Prahalad & Ramaswamy, 2004, pp 10-12). Thus, the service co-creation process is a loyalty-inducing mechanism that operates independently from the effects of other mediating factors.

### 4.2 Indirect Effects :

Other empirical studies have underscored that, in many instances, the effect of VCC on loyalty is only indirectly impacted via satisfaction and trust.

According to Robert M. Morgan and Shelby D. Hunt, trust serves a critical role in relationship marketing, acting as an intermediary between customer engagement and loyalty (Morgan & Hunt, 1994, pp. 22–25). The more customers trust a firm, the more likely they are to stay committed to that relationship.

Satisfaction is one of the other significant intermediaries. Empirical literature indicates that co-creation enhances customer satisfaction by providing higher quality and relevance to a product or service. When customers feel that their needs are being satisfied through collaboration with an organisation, they are likely to develop greater levels of satisfaction. This, in turn, leads to loyalty.

For instance, service marketing literature shows that co-creation activities have dramatically increased customers' satisfaction levels, leading to positive loyalty intentions. This provides evidence that VCC is doing this by supporting the psychological constructs of trust and satisfaction, which are both necessary components for building long-term relationships (Franke, Keinz, & Steger, 2009, pp. 110–113).

# Section 3: Innovation through Value Co-Creation

Innovation has become a major source of competitive advantage for companies operating in dynamic and rapidly changing markets. In order to respond to evolving customer needs and technological developments, firms are increasingly seeking new ways to develop products, services, and experiences that create greater value. As a result, innovation is no longer viewed as a process limited to internal research and development activities, but rather as a collaborative process involving multiple actors.

## 1. Definition of Innovation :

The first theories on the subject come from Brazeal & Herbert (1999), who describe it as "an act of will, with creativity as the starting point." Innovation, therefore, emerges from creation and creative thinking. Creativity refers to an individual's power to invent, extend, and challenge existing ideas, intellectual creations based on cognitive abilities. Therefore, the source of creativity lies with people or organizations in terms of their ability to come up with new ideas. Creativity, in most cases, develops through experience and experimentation (Valérie Chanal, 2011).

According to Bellon (2002), an innovation within a firm may take various forms. He refers to it as a change in an organized process, whether it is a new product, a new design, a new process, or a new organizational structure. These changes can range from small improvements to major transformations. Innovation is therefore considered a deliberate and planned action that begins with an idea and ends with its practical implementation.

From an organizational point of view, an innovation is a strategic action aimed at improving and developing processes within a firm. It depends mostly on people and the way they work together. It also involves customers and the way a firm develops and maintains long-term relations with them (Valérie Chanal, 2011, p.14).

## 2. Typology of innovations :

The two main types of innovation that have been identified are product innovation and process innovation (GREENHALGH.C et ROGERS.M,(2010).

Product innovation is the introduction of new products or significant improvements to an existing product. Product innovation aims at creating new products or improving the features and quality of products that already exist in the market.

Process innovation is the adoption of new production technology or new ways of delivering products and services. Process innovation aims at improving the processes of creating and delivering products and services within an organization.

The third type of innovation that has been identified is related to the changes that occur within an enterprise. However, most researchers consider this type of innovation to be included in the second type of innovation. This is because the changes that occur within an enterprise generally relate to the processes of the enterprise.

Product innovation may be related to goods, services, or both. Process innovation is related to new mechanisms of creating and delivering products and services.

A new product or new process may be considered an innovation if it is new to the firm, new to the domestic market, or new to the world market. In some cases, particularly for goods and services that are not traded internationally due to the nature of the product, high transportation costs, or trade restrictions, being new to the domestic market is sufficient to qualify as an innovation within that economy.

However, the condition of being new to the company is not always considered as an important criterion of innovation because the company may already be using the innovation that was introduced by its competitors (GREENHALGH.C et ROGERS.M,(2010).

## 3. The Role of Marketing in Innovation :

To create innovation and bring it to market, marketing is integral to the process, as innovation changes how customers behave and use products or services.

Through marketing efforts, companies can demonstrate the value of their new products and/or services and ultimately help the marketplace accept them.

The role that marketing plays in innovation will vary depending on the product or service and the type of innovation. For example, when the innovation comes from a new business model, it is important to outline and analyze which entities in the ecosystem (e.g., consumers, other businesses) are willing to pay for the innovation and how much they are willing to spend.

Therefore, it is necessary to assess each stakeholder in the ecosystem as to the perceived value of the innovation.

When developing a technological innovation, marketing's role is to ensure that the end user understands the benefits of the new technology and appreciates it. In this way, marketing can illustrate how complex technological features will benefit the end user after they have purchased the new technology.

Regardless of the situation, marketing is always a vital part of the innovation process; however, the way it constructs its presence will vary depending on the circumstances surrounding the innovation. Often, when an innovation has multiple dimensions, marketing will create several complementary roles that work together to ensure its success (Le Nagard-Assayag & Manceau, 2011).

## 4. The Evolution of the Innovation Landscape :

Innovation is no longer restricted to laboratories and research departments. According to Chesbrough (2004), the basis of open innovation suggests that there must be an openness to include other types of actors.

## 5. The Shift from Traditional Innovation :

Over time, the definition of innovation has transformed due to technological and technical advances. For many years, innovation occurred almost exclusively within the company, primarily in the areas of product design and manufacturing, and was related to research and development (R&D) investment and technological advancement.

Customers were not considered a primary source of innovation. Joseph Schumpeter, for example, viewed innovation as a process mainly driven by entrepreneurs and firms. This traditional form of innovation, often referred to as “hard” innovation, generally involved limited customer participation. Customers were sometimes involved in identifying needs, testing prototypes, or evaluating new product concepts (Kaulio, 1998).

Based on the traditional paradigm of innovation following the new product development (NPD) model, customers were generally perceived as passive participants who expected companies to deliver products that would meet their needs. As a result, "hard" innovations

primarily focused on technological developments, scientific exploration and research, as well as industrial manufacturing or production processes.

## 6. Soft Innovation :

According to traditional and neo-classical economists, innovation has been believed to be a firm-oriented and dependent on professionals, where customers had little or no involvement in the innovation process.

However, alongside “hard” innovation, another dimension of innovation has emerged, often referred to as “soft” innovation. This type of innovation focuses more on aspects such as the creation of new services, product design, business model innovation, and the creation of human and relational interactions within and around the organization.

## 7. Open and Collaborative Innovation :

### 7.1 Open Innovation :

Open innovation is considered a paradigm suggesting that companies can and should use both external and internal ideas, as well as internal and external paths to the market, in order to advance their technologies (Chesbrough, 2003). Open innovation means that no longer are firms limited strictly to their own internal research and development resources.

In an open innovation context, firms may develop some of their internal ideas via their formal internal research processes and the rest via creative input from outside sources such as partners, customers, universities, and other organizations. At the same time, some ideas developed within the company may move outside the firm, either during the research stage or later during the development phase, when they can be further exploited or commercialized.

### 7.2 Collaborative Innovation vs Collective Intelligence :

From a value co-creation perspective, collaborative innovation can be understood as a process in which different actors exchange experiences, skills, and knowledge, while also sharing control over the product innovation process within a value network. In this context, the

leading or “pivot” company must take into account the competencies of all participants in the network and ensure access to knowledge about customers’ needs and preferences.

Collaborative innovation suggests that cooperation between individuals or organizations encourages the development of collective intelligence. By definition, collaboration requires that each participant recognizes that they are contributing to a common objective that goes beyond individual interests. This shared commitment helps strengthen the collective capacity of the network.

According to Moral (2010), collective intelligence refers to the ability of a group to adapt through analyzing its environment, developing appropriate solutions or actions, and anticipating their possible consequences.

From a co-creation perspective, collective intelligence can also be seen as a process that enables actors within a network, such as companies and their customers, to adopt a proactive position toward their environment of experience. Instead of simply reacting to environmental changes, they are able to anticipate and influence them. One of the main advantages of collaborative innovation is precisely this capacity to shape the environment, including the product, the market, and even competitors.

## 8. Innovation through Value Co-Creation :

Innovation through value co-creation refers to a situation where two or more actors, such as a company and its customers, cooperate with each other to jointly produce value (Kambil et al., 1999; Prahalad & Ramaswamy, 2004).

This approach represents a strategic choice that also involves several challenges. In fact, co-creation requires companies to engage in continuous dialogue with customers, participate in the creation of shared experiences and value, and accept a certain level of risk sharing with them (Marion, 2010; Prahalad & Ramaswamy, 2000).

This form of innovation, based on co-creation, encourages organizations to reconsider their traditional exchange relationships and move toward a win-win relationship (Prahalad & Ramaswamy, 1999). It involves defining common objectives and promoting the exchange of relevant information among the different actors. In this context, the traditional vertical relationship between provider and user is replaced by a more horizontal and collaborative relationship between the company and its stakeholders.

Innovation through co-creation also requires a significant effort from organizations, as they need to define what they expect from this collaborative relationship clearly. Traditionally, the roles of the actors were clearly separated: the company represented the supply side, while customers were positioned on the demand side. Moreover, their objectives were often different, as companies aimed to reduce costs while customers sought to maximize their benefits or satisfaction.

However, with the introduction of new technologies, such as the Internet, the boundaries between a professional and a personal context are becoming blurred. Indeed, the role of a company and its customers is becoming more and more intertwined and requires a redefinition of their conventional roles (Gummesson, 2007).

## 9. Value Co-Creation Platforms :

Also referred to as crowdsourcing platforms, are increasingly recognized for their contribution to the concept of strategic innovation. The importance of crowdsourcing tools is intimately linked to the evolution of the concept of innovation, particularly open and collaborative innovation.

Crowdsourcing tools, facilitated by the rapid evolution of internet technologies, now predominantly operate as online platforms. This is because the tools can engage the firm's customers in the product innovation process. As such, the online platforms are largely used to obtain customer-generated ideas.

Several firms, such as Microsoft, BMW, and Nike, have developed effective relationships with their customers to enable the direct involvement of the customers within the process of innovation and value creation. A few organizations provide innovation toolkits to enable the firm's customers to present creative ideas, while other organizations provide an interactive dialogue platform or forum to enable the firm's customers to interact with the firm as well as other customers.

These platforms, often referred to as virtual customer environments, vary from the simple online discussion group to the more sophisticated platform, which enables the firm's customers to participate in the process of product prototyping and development processes (Nambisan & Nambisan, 2008).

## 10. The Two Pillars of Innovation through Value Co-Creation :

In an increasingly competitive environment, innovation through value co-creation has emerged as a new approach that enables companies to build a sustainable competitive advantage.

According to Prahalad and Krishnan (2008), this form of innovation is based on two main principles. The first principle is the creation of a unique and personalized experience for the customer, whether the customer is a consumer or a user. The second principle is the ability to access resources and competencies available across a global network of actors, rather than relying only on internal key competencies.

In this perspective, value co-creation can be understood as the result of the combined use of operant resources. These resources include knowledge, skills, expertise, and capacities that are mobilized by the different stakeholders involved in the process, particularly the company and the consumer (Vargo & Lusch, 2008b).

## 11. Different Spaces of Innovation and Value Co-Creation :

According to Prahalad and Ramaswamy (2003), there are three levels of innovation in the process of value co-creation: product level innovation, solution level innovation, and experience level innovation. These authors argue that the basis of value creation increasingly moves away from the product and towards the co-created experience between the firm and the customer.

In addition, the innovation management process in a product-based paradigm is considerably different from the process in an experience-based paradigm. In a more conventional product-based paradigm, innovation managers often believe that the key drivers of innovation are cost, quality, and variety of products.

However, while products and services remain important in an experience-based approach, managers are encouraged to shift their focus toward the experience environment. This environment represents the space where innovation occurs and where interactions between different actors create value. In addition, the experience network becomes an important source of competencies, as it brings together the knowledge and contributions of various stakeholders involved in the innovation process.

## Conclusion :

This chapter examined the main outcomes of value co-creation in the context of modern marketing, with particular focus on customer engagement, customer loyalty, and innovation. The analysis demonstrated that value co-creation has become an important approach that enables firms to strengthen their relationships with customers through interaction, participation, and collaboration.

The chapter first highlighted the importance of customer engagement as a multidimensional concept involving cognitive, emotional, and behavioral dimensions. It showed that co-creation activities encourage customers to become more involved with brands and contribute actively to value creation processes.

The chapter also explored the relationship between value co-creation and customer loyalty. Theoretical and empirical studies confirmed that customer participation in co-creation activities can strengthen satisfaction, trust, commitment, and emotional attachment, which ultimately contribute to long-term loyalty and customer retention.

Finally, the chapter examined innovation through value co-creation and emphasized the transition from traditional innovation models toward more open and collaborative approaches. In this perspective, customers are no longer considered passive recipients but active contributors to innovation processes through the sharing of ideas, experiences, and knowledge.

Overall, the findings discussed in this chapter confirm that value co-creation represents a strategic approach capable of enhancing customer engagement, strengthening loyalty, and supporting innovation.

# CHAPTER 3:

# RESEARCH METHODOLOGY AND EMPIRICAL STUDY

# Chapter 3: Research Methodology and Empirical Study

## Introduction :

This chapter presents the empirical part of the study conducted to examine the impact of value co-creation on customer engagement, loyalty, and innovation in marketing. It aims to complement the theoretical framework developed in the previous chapters through a practical investigation based on data collected from consumers interacting with brands in Algeria.

The chapter is organized into three main sections. The first section presents the host organization, IMMAR Maghreb, and highlights its activities and role in market research. The second section explains the methodological framework adopted in this study, including the research method, sampling technique, questionnaire design, and data collection process. Finally, the third section presents and analyzes the findings obtained from the questionnaire using descriptive statistics, correlation analysis, and regression analysis in order to test the proposed research hypotheses.

Through this empirical analysis, the chapter seeks to provide a better understanding of how value co-creation practices influence customer behavior and how digital platforms contribute to strengthening customer interaction and engagement with brands.

# Section 1: Presentation of the Host Organization

## Presentation of the International Media & Marketing company (IMMAR)

### 1. Background :

This research is conducted within the framework of an internship carried out at IMMAR Maghreb, which represents the Algerian branch of IMMAR International, a company specializing in marketing and media research.

The choice of this organization provides a relevant professional context, as IMMAR operates in the field of data-driven decision-making, supporting both private and public institutions in understanding market dynamics and consumer behavior.

While the internship offered valuable practical exposure to research processes and analytical tools, this section is limited to presenting the company in general terms. A detailed analysis of its internal functioning is beyond the scope of this study.

Nevertheless, the professional setting played an important role in shaping this research. Access to specialized tools, methodological guidance, and real-world research practices helped ensure the study's reliability and rigor.

### 2. Presentation and History :

IMMAR International was established in 1999 and is headquartered in Paris. The company conducts research and consultancy missions in North Africa and Sub-Saharan Africa, intending to continuously develop new methodologies adapted to local contexts.

In 2001, the subsidiary IMMAR Maghreb was created. It is mainly active in Algeria, while also operating in several North African countries on behalf of multinational companies present in the region. Today, this subsidiary employs around 100 staff members distributed across the national territory.

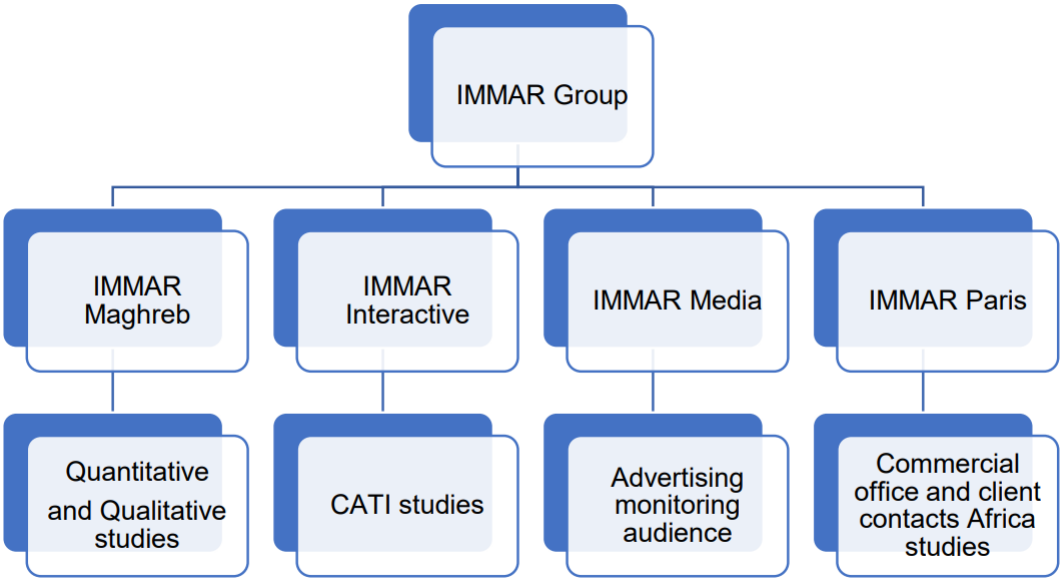
Later, in 2009, the CATI department was externalized to form an independent entity known as IMMAR Interactive. This entity operates as a call center specializing in both outbound and inbound calls, particularly for telephone surveys (CATI) and customer relationship

management (CRM). It has a platform with 112 agent positions spread over two levels, as well as a technical room and a training room. In addition, it provides online survey solutions (CAWI) and face-to-face data collection methods (CAPI).

In 2010, IMMAR Central Africa was established, with its headquarters in Kinshasa, in the Democratic Republic of Congo. This entity ensures coverage of the Central African region, providing clients with reliable information and relevant analysis, while being able to conduct different types of surveys.

Finally, IMMAR Media, created in 2013, is now considered a leading company in Algeria in the field of audience measurement and media marketing research. Its services focus mainly on the daily monitoring and analysis of media content. Thanks to its tools, it ensures continuous monitoring 24/7 of newspapers, radio stations, and both local and satellite television channels.

**Figure 7: Strategic Systems of IMMAR**




**Source:** Internal document

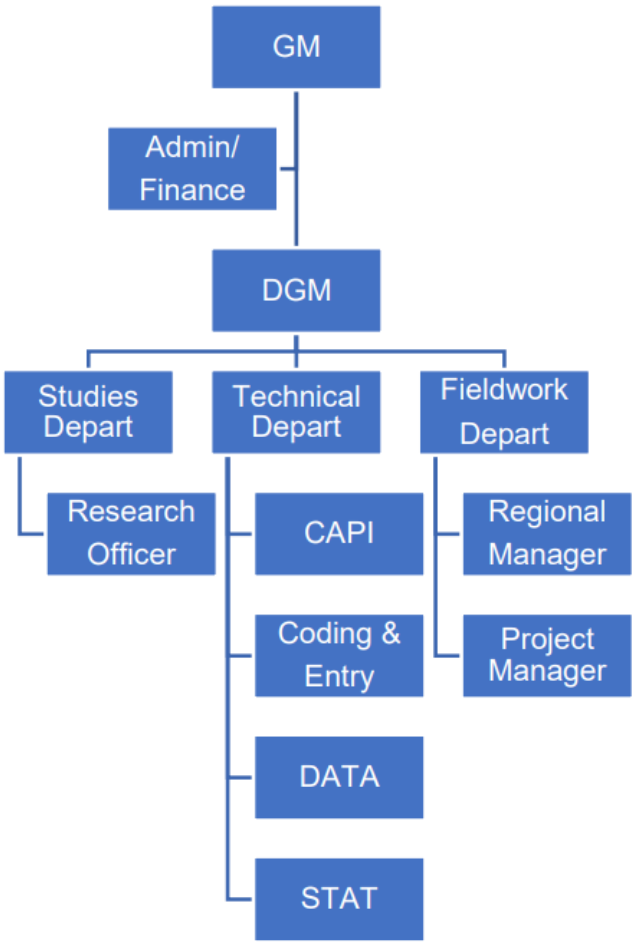
## 3. IMMAR Maghreb :

IMMAR Maghreb represents the Algerian and North African branch of the IMMAR Group. Based in Algiers, it works with both national and international clients, conducting field studies using methods such as CAPI (Computer-Assisted Personal Interviewing) and CATI (Computer-Assisted Telephone Interviewing).

IMMAR Maghreb is organized into three main operational departments. First, the Research Department is responsible for managing both qualitative and quantitative studies. Second, the Technical Department handles the tools used for data collection and statistical analysis, such as NIPO, Voxco, and SPSS. Finally, the Fieldwork Department is in charge of coordinating field agents and supervising the data collection process across the national territory.

This organizational structure allows each stage of a study, from its design to its implementation and final delivery, to be carried out in a structured and methodical way. The detailed organization of the company is illustrated in the diagram below :

**Figure 8: IMMAR Maghreb Organizational Chart**




**Source:** Internal Document

## 4. Vision of the Company :

The vision of IMMAR Maghreb is to strengthen its position as a leading market research company in North Africa while contributing to the development of data-driven decision-making practices. As part of IMMAR International, the company aims to expand its presence across African markets and to be recognized as a reliable partner for organizations seeking accurate and relevant market insights. Its vision is based on the continuous improvement of research methodologies and the integration of advanced tools for data collection and analysis.

Furthermore, IMMAR seeks to support businesses and institutions in better understanding their environment by providing comprehensive and actionable information. Through this approach, the company aspires to play a key role in enhancing strategic decision-making and promoting more effective marketing practices.

## 5. IMMAR's mission :

The mission of IMMAR Maghreb is to support companies and institutions in their decision-making processes by providing reliable and data-driven research. The company aims to generate relevant insights through the collection, analysis, and interpretation of market data.

Through its qualitative and quantitative studies, IMMAR seeks to help its clients better understand consumer behavior, market trends, and media performance. In doing so, it contributes to improving strategic planning and optimizing marketing actions.

In addition, the company is committed to delivering high-quality research services by applying rigorous methodologies and using appropriate tools for data collection and analysis. This mission is also reflected in its focus on accuracy, professionalism, and the production of actionable results for its clients.

## 6. The Company's values :

IMMAR Maghreb is guided by a set of core values that shape its organizational culture and its approach to work. These values are essential in ensuring the quality and reliability of the services provided.

First, the company places a strong emphasis on quality. It is committed to delivering high-standard research by applying rigorous methodologies and maintaining a high level of accuracy in data collection and analysis.

Second, collaboration and knowledge sharing represent important aspects of its functioning. Teamwork is encouraged within the organization to enhance efficiency and ensure the successful completion of projects.

In addition, IMMAR promotes a culture of innovation and continuous improvement. The company seeks to develop new ideas and approaches that can help its clients better understand their markets and improve their products and services.

Finally, the company values commitment and ethical responsibility. It ensures that its activities are conducted with professionalism, respect for ethical standards, and careful use of data and technology.

# Section 2: Research Methodology

Despite the growing interest in value co-creation worldwide, little is known about how Algerian consumers experience and respond to co-creation initiatives launched by local companies. Many Algerian firms are investing in digital tools, social media pages, and online feedback mechanisms. Still, it is not clear whether these efforts truly enhance customer engagement and loyalty or remain merely superficial communication.

This section presents the research methods used to address our research problem. First, we will explain the reasons behind the choice of this type of study. Then, we will present the sampling and data collection methods adopted. Finally, we will describe the design of the questionnaire and the statistical techniques used for data analysis.

## 1. Choice of research method :

The purpose of this research is to understand how value co-creation influences customer engagement, loyalty, and innovation in marketing. In addition, this study aims to examine how customers participate in value co-creation activities and how this participation affects their relationship with brands. It also seeks to explore the role of digital platforms in facilitating this interaction. Therefore, this research attempts to evaluate the relationships between value co-creation and the main variables of the study, namely engagement, loyalty, and innovation.

The main research question is formulated as follows:

***How does value co-creation influence customer engagement, loyalty,* and innovation in marketing?**

From this main question, the following sub-questions are derived:

SQ1: How does value co-creation influence customer engagement?

SQ2: Does value co-creation affect customer loyalty?

SQ3: How does value co-creation contribute to innovation?

SQ4: What role do digital platforms play in value co-creation?

## 2. Research Hypotheses :

Given the scope of this study, we selected a limited number of variables to define our field of investigation clearly.

Thus, the following research hypotheses are proposed:

**Hypothesis 1: Value co-creation positively influences customer engagement.**

**Hypothesis 2: Value co-creation positively influences customer loyalty.**

**Hypothesis 3: Value co-creation positively influences innovation.**

**Hypothesis 4: Digital platforms significantly moderate the relationship between value co-creation and customer engagement.**

## 3. Data Collection :

The present study mainly adopts a quantitative research approach based on a structured questionnaire distributed online. However, the inclusion of one optional open-ended question also provides limited qualitative insights regarding respondents' perceptions and opinions about value co-creation. Combining quantitative and qualitative elements helps provide a more comprehensive understanding of the research problem.

## 4. Questionnaire definition & design :

Lamnin et al (2005) describe a questionnaire as a data collection tool designed to gather information directly from participants. It serves to capture and organize responses through a structured set of questions. These questions can be either open-ended, allowing respondents to answer freely, or closed-ended, where specific answer choices are provided (Lamnin, Chumpitaz, & De Moerloose, 2005, p. 15).

## 5. Order of Questions :

The questionnaire is organized using a funnel approach, starting with broad, general questions before gradually moving toward more specific ones.

## 6. Pilot test :

We conducted a pilot test of our questionnaire with a sample of 15 participants to assess its clarity and ease of understanding. The pilot test participants were selected based on their familiarity with value co-creation practices and their previous interactions with brands through digital platforms, online communities, or feedback activities. This selection helped ensure that participants were able to understand and evaluate the questionnaire items related to value co-creation effectively. The average time required to complete the questionnaire was approximately ten minutes, which is relatively short and manageable for respondents.

During this testing phase, we observed that all questions were clearly understood by the participants. This suggests that the questionnaire was well designed, helping to ensure accurate responses and reducing the likelihood of misinterpretation. The questionnaire was prepared in English and translated into Arabic and French to facilitate understanding among Algerian respondents and improve response accuracy.

We decided to distribute the questionnaire online using Google Forms, as it provides flexibility and allows us to reach a wider range of respondents. This approach can also improve the representativeness of our sample. Online distribution through Google Forms allowed the researchers to reach respondents from different regions and demographic backgrounds across Algeria, thereby increasing the diversity of the sample.

After making the necessary revisions to the initial questionnaire, the final version was developed. It included a total of thirty-three questions, each serving a specific purpose. It includes different types of questions such as multiple-choice questions, dichotomous questions, Likert scale questions, and one open-ended question. This type of questionnaire makes it easier for respondents to answer, as predefined response options are provided.

## 7. Sampling :

A key requirement in survey research is the ability to generalize the findings to a large part or the entirety of the target population. This can be achieved by using a representative sample. To ensure this, the sample should reflect the main characteristics of the population. In our case, the target population includes consumers in Algeria who interact with brands, as well as

managers involved in marketing or customer-related activities. We chose a non-probability sampling method for several reasons :

First, it allows easy access to readily available participants (online distribution makes access easier).

Second, it helps save time, as participants can be selected quickly based on the researcher's judgment.

Finally, by choosing individuals with relevant characteristics and experience, the data collected is more likely to be accurate and suitable for the objectives of the study (there is no complete list of the population).

# Section 3: Research Findings

This section presents and analyzes the findings obtained from the questionnaire conducted as part of this study. The purpose of this analysis is to examine the relationship between value co-creation and the main variables of the research, namely customer engagement, customer loyalty, and innovation.

## 1. Descriptive Analysis :

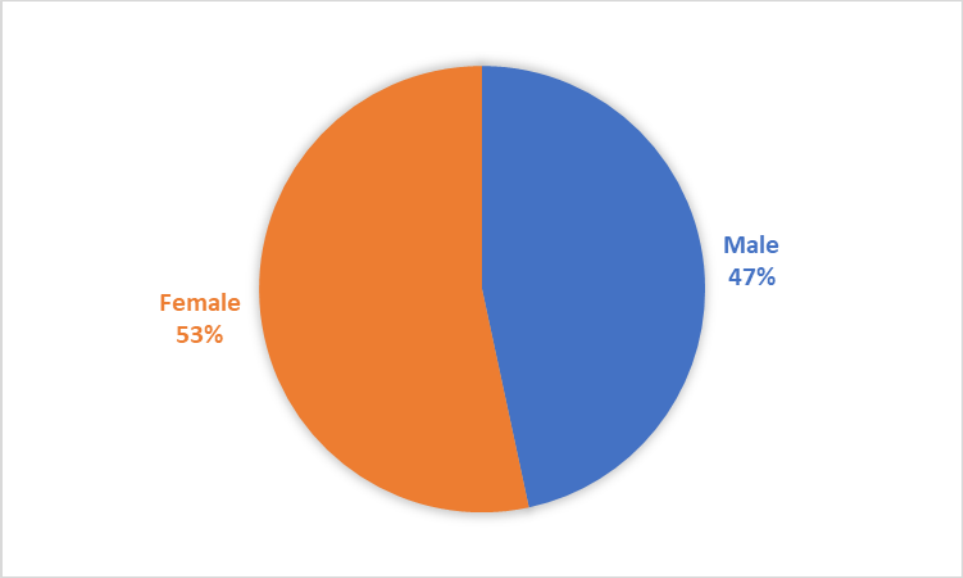
To analyze the characteristics of the respondents, this study employs descriptive analysis covering both socio-demographic variables and study-related aspects. The socio-demographic variables include gender, age, level of education, and employment status. In addition, the analysis considers respondents' interaction with brands, including whether they engage with brands and the digital platforms they use for such interactions.

The purpose of this descriptive analysis is to develop a clear profile of the respondents and to summarize the data collected from the sample. This step provides a meaningful understanding of participants' backgrounds and behaviors, thereby establishing a solid foundation before proceeding to more advanced statistical analyses.

### 1.1 Sample distribution by gender :

Figure 9 shows the gender distribution of the respondents. Of 208 participants, 97 (46.6%) are male, and 111 (53.4%) are female. These results indicate that female respondents are slightly more represented than male respondents. However, the difference is small, indicating the sample is relatively balanced by gender.

**Figure 9: Gender distribution of the respondents.**

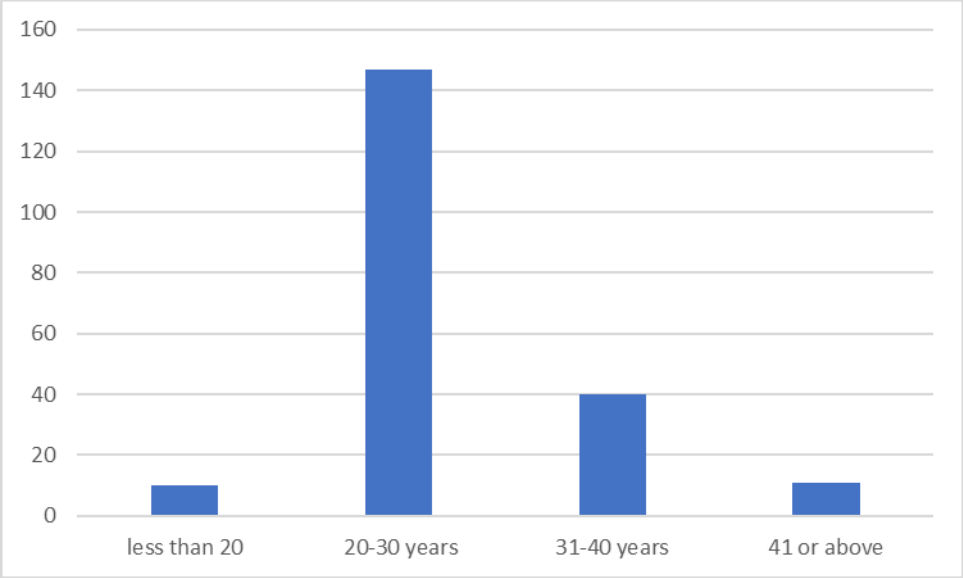



### 1.2 Age distribution of the respondents :

Figure 10 presents the age distribution of the respondents. Out of 208 participants, 10 respondents (4.8%) are less than 20 years old, 147 respondents (70.7%) are between 20 and 30 years old, 40 respondents (19.2%) are between 31 and 40 years old, and 11 respondents (5.3%) are 41 years old or above.

These results show that the majority of the respondents belong to the 20–30 years age group, indicating that young adults represent the largest part of the sample. This can be explained by the fact that individuals within this age category are generally more familiar with online interactions, digital engagement, and value co-creation activities such as sharing feedback, participating in online communities, and interacting with brands through social networks.

**Figure 10: Age distribution of the respondents**

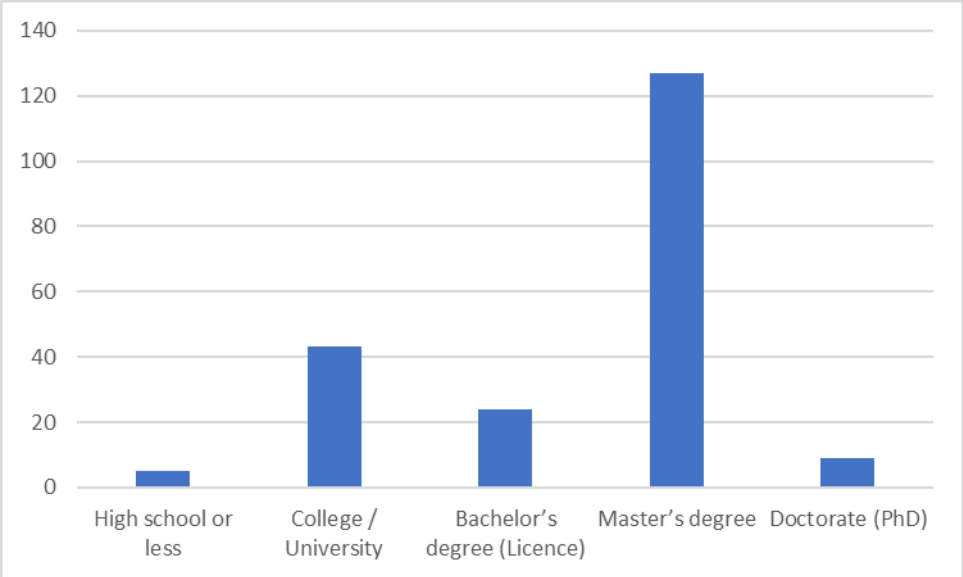



### 1.3 Education Level of the respondents :

Figure 11 presents the education level distribution of the respondents. Out of 208 participants, 5 respondents (2.4%) have a high school education or less, 43 respondents (20.7%) are in college or university, 24 respondents (11.5%) hold a Bachelor's degree (Licence), 127 respondents (61.1%) hold a Master's degree, and 9 respondents (4.3%) hold a Doctorate (PhD).

These results indicate that the majority of the respondents have a Master's degree, showing that the sample is mainly composed of highly educated individuals.

**Figure 11: Education Level of the respondents**

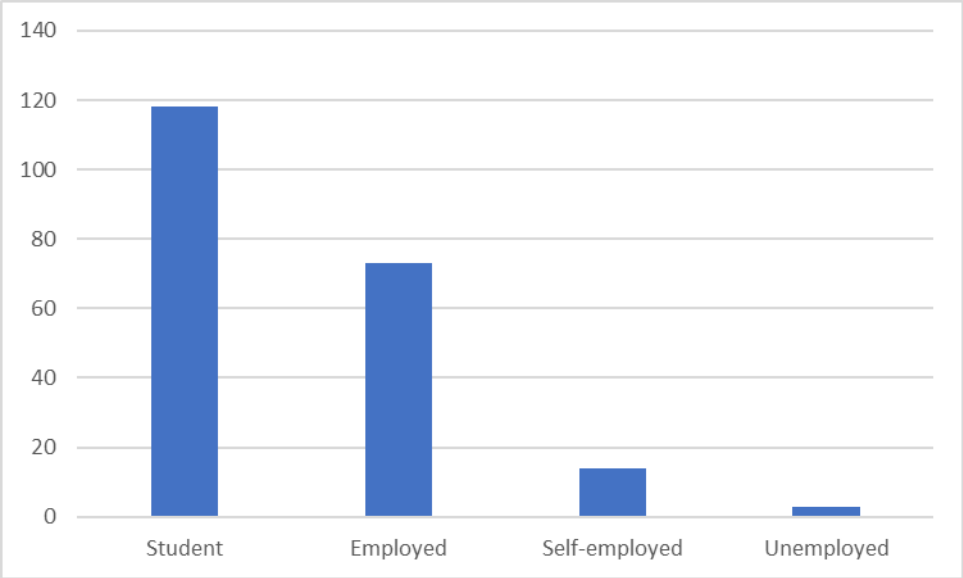


### 1.4 Employment status distribution of the respondents :

Figure 12 presents the employment status distribution of the respondents. Out of 208 participants, 118 respondents (56.7%) are students, 73 respondents (35.1%) are employed, 14 respondents (6.7%) are self-employed, and 3 respondents (1.5%) are unemployed.

These results show that students represent the largest group in the sample, followed by employed respondents.

**Figure 12: Employment status distribution of the respondents**

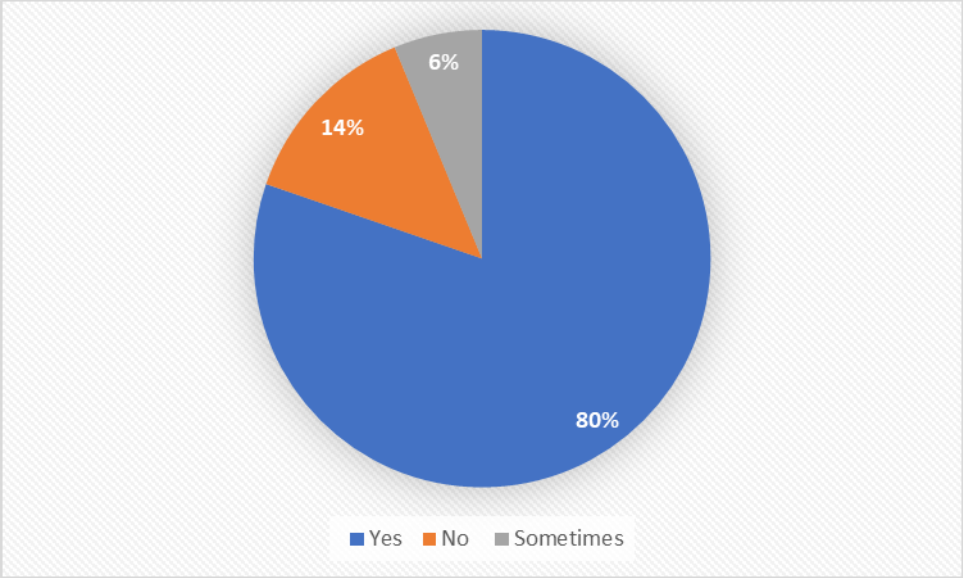



### 1.5 Interaction with Brands :

Figure 13 shows whether respondents usually interact with brands through social media, feedback, or other activities. Out of 208 participants, 167 respondents (80.3%) answered “Yes”, 13 respondents (6.3%) answered “Sometimes”, and 28 respondents (13.5%) answered “No”.

These results indicate that the majority of respondents usually interact with brands, showing a high level of customer participation and engagement.

**Figure 13: Interaction with Brands**

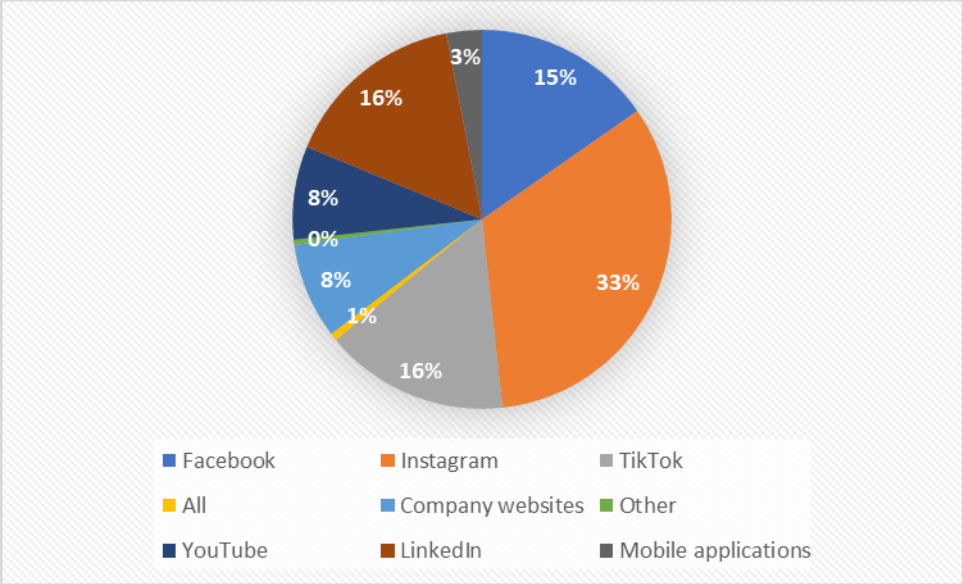



### 1.6 Preferred Platforms for Brand Interaction :

Figure 14 presents the platforms respondents use to interact with brands. The results show that Instagram is the most used platform, followed by TikTok and LinkedIn. Facebook and company websites are also used by a considerable number of respondents, while YouTube and mobile applications are used less frequently. Only a small percentage of respondents selected other platforms. Instagram appears as the most preferred platform, representing 33% of responses, which can be explained by its strong popularity among young adults, who constitute the majority of the sample. In addition, Instagram provides interactive features such as stories, reels, comments, polls, and direct messaging, which facilitate communication and engagement between brands and consumers. The platform is also highly visual and dynamic, making it particularly effective for marketing activities, product promotion, and customer participation in brand-related content.

These findings indicate that social media platforms play an important role in facilitating customer interaction and engagement with brands.

**Figure 14: Preferred Platforms for Brand Interaction**




## 2. Hypothesis Tests :

To examine the relationship between value co-creation and the study's main variables, Correlation and regression analyses were conducted in SPSS to assess the significance and strength of these relationships. The following results enable acceptance or rejection of the proposed hypotheses based on the study's empirical findings.

### 2.1 Correlation Analysis :

Correlation analysis is a statistical method used to measure the strength and direction of the relationship between two variables. It helps determine whether variables are positively related, negatively related, or not related at all (Pallant, 2020).

**Table 2: Correlation Analysis of the Study Variables**

**Correlations**

| | | VCC | Engagement | Loyalty | Digital | Innovation |
|---|---|---|---|---|---|---|
| VCC | Pearson Correlation | 1 | .366** | .308** | .269** | .307** |
| | Sig. (2-tailed) | | .000 | .000 | .000 | .000 |
| | N | 180 | 180 | 180 | 180 | 180 |
| Engagement | Pearson Correlation | .366** | 1 | .496** | .512** | .460** |
| | Sig. (2-tailed) | .000 | | .000 | .000 | .000 |
| | N | 180 | 180 | 180 | 180 | 180 |
| Loyalty | Pearson Correlation | .308** | .496** | 1 | .405** | .465** |
| | Sig. (2-tailed) | .000 | .000 | | .000 | .000 |
| | N | 180 | 180 | 180 | 180 | 180 |
| Digital | Pearson Correlation | .269** | .512** | .405** | 1 | .496** |
| | Sig. (2-tailed) | .000 | .000 | .000 | | .000 |
| | N | 180 | 180 | 180 | 180 | 180 |
| Innovation | Pearson Correlation | .307** | .460** | .465** | .496** | 1 |
| | Sig. (2-tailed) | .000 | .000 | .000 | .000 | |
| | N | 180 | 180 | 180 | 180 | 180 |

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

**Source :** logiciel SPSS

**Hypothesis 1:**

Looking at the the above table (Table N01: Correlations), it is clear that the following:

The correlation analysis revealed a positive and statistically significant relationship between Value Co-Creation and Customer Engagement ($r = .366$, $p < 0.01$). This result indicates that customers who actively participate in providing feedback, sharing ideas, and collaborating with brands tend to show higher levels of engagement.

The relationship is moderate in strength, suggesting that value co-creation practices contribute meaningfully to increasing customers' cognitive, emotional, and behavioral engagement with brands. Customers are more attentive, emotionally connected, and interactive when they feel that their opinions are valued by companies.

Therefore, Hypothesis H1 is accepted.

**Hypothesis 2:**

Looking at the above table (Table N01: Correlations), it is clear that the following:

The analysis demonstrated a positive and statistically significant relationship between Value Co-Creation and Customer Loyalty ($r = .308$, $p < 0.01$).

This indicates that customers who participate in co-creation activities are more likely to become loyal to brands. When companies involve customers in decision-making processes and product improvement, customers feel appreciated and valued, which increases their trust and loyalty toward the brand.

Although the relationship is moderate, the results confirm that value co-creation contributes positively to strengthening customer loyalty.

Therefore, Hypothesis H2 is accepted.

**Hypothesis 3:**

Looking at the the above table (Table N01: Correlations), it is clear that the following:

The findings indicated a positive and statistically significant relationship between Value Co-Creation and Innovation ($r = .307$, $p < 0.01$).

This result suggests that involving customers in co-creation activities contributes to generating innovative ideas, improving services, and developing better solutions. Customers' suggestions and feedback provide valuable insights that help companies improve product quality and innovate more effectively.

Although the relationship is moderate, the results confirm that value co-creation plays an important role in supporting organizational innovation.

Therefore, Hypothesis H3 is accepted.

**Hypothesis 4:**

Looking at the above table (Table N01: Correlations), it is clear that the following:

The correlation results revealed a strong positive relationship between Digital Platforms and Customer Engagement ($r = .512$, $p < 0.01$), which is the strongest correlation identified in the study.

This finding indicates that digital platforms such as social media, company websites, and mobile applications significantly facilitate customer interaction and participation with brands. These platforms create opportunities for communication, feedback sharing, and active collaboration, which enhance customer engagement.

The result highlights the important role of digital technologies in encouraging customer involvement and maintaining continuous interaction between brands and consumers.

Therefore, Hypothesis H4 is accepted.

### 2.2 Regression Analysis :

Regression analysis is a statistical technique used to examine the effect of one or more independent variables on a dependent variable. It allows researchers to predict and explain relationships between variables (Field, 2018).

**Hypothesis H1: Value Co-Creation positively influences Customer Engagement**

1. **Model Summary Interpretation :**

**Table 3: Regression Model Summary for H1**

**Model Summary**

| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate |
|---|---|---|---|---|
| 1 | .366[a] | .134 | .129 | .51070 |

a. Predictors: (Constant), VCC

**Source :** logiciel SPSS

Table 3 presents the regression model summary for Hypothesis H1. The regression analysis revealed a positive relationship between Value Co-Creation and Customer Engagement ($R = .366$).

The coefficient of determination ($R^2$ = .134) indicates that Value Co-Creation explains approximately 13.4% of the variation in Customer Engagement. This means that co-creation activities contribute to increasing customer engagement, although other factors not included in the model may also influence engagement levels.

The Adjusted $R^2$ value (.129) confirms that the model has acceptable explanatory power.

2. **ANOVA Interpretation :**

**Table 4: ANOVA Results for H1**

**ANOVA[a]**

| Model | | Sum of Squares | df | Mean Square | F | Sig. |
|---|---|---|---|---|---|---|
| 1 | Regression | 7.201 | 1 | 7.201 | 27.611 | .000[b] |
| | Residual | 46.425 | 178 | .261 | | |
| | Total | 53.626 | 179 | | | |

a. Dependent Variable: Engagement

b. Predictors: (Constant), VCC

**Source :** logiciel SPSS

Table 4 presents the ANOVA results for Hypothesis H1. The ANOVA results indicate that the regression model is statistically significant ($F = 27.611$, $p < 0.001$).

This means that the model as a whole successfully predicts Customer Engagement and that the relationship between Value Co-Creation and Customer Engagement is not due to random chance.

3. **Coefficients Interpretation :**

**Table 5: Regression Coefficients for H1**

**Coefficients[a]**

| Model | | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. |
|---|---|---|---|---|---|---|
| | | B | Std. Error | Beta | | |
| 1 | (Constant) | 2.601 | .236 | | 11.015 | .000 |
| | VCC | .332 | .063 | .366 | 5.255 | .000 |

a. Dependent Variable: Engagement

**Source :** logiciel SPSS

Table 5 presents the regression coefficients for Hypothesis H1. The regression coefficient for Value Co-Creation is positive and statistically significant ($\beta = .366$, $t = 5.255$, $p < 0.001$).

This indicates that Value Co-Creation has a significant positive effect on Customer Engagement. In other words, higher levels of customer participation and collaboration with brands lead to higher levels of engagement.

The positive beta coefficient confirms that as customers become more involved in providing feedback, suggestions, and participation in brand activities, their engagement increases accordingly.

This finding is consistent with the studies of Brodie et al. (2011) and France et al. (2016), discussed in the theoretical chapter, which explain that customer engagement develops through interactive and co-creative experiences between customers and firms. According to these authors, when customers participate in activities such as sharing feedback, expressing opinions, and interacting with brands, they become more emotionally, cognitively, and behaviorally engaged. Therefore, the empirical results of this study confirm the theoretical relationship between value co-creation and customer engagement presented in the literature review.

**Therefore, Hypothesis H1 is accepted.**

**Hypothesis H2: Value Co-Creation positively influences Customer Loyalty**

1. **Model Summary Interpretation :**

**Table 6: Regression Model Summary for H2**

**Model Summary**

| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate |
|---|---|---|---|---|
| 1 | .308[a] | .095 | .089 | .54422 |

a. Predictors: (Constant), VCC

**Source :** logiciel SPSS

Table 6 presents the regression model summary for Hypothesis H2. The regression analysis revealed a positive relationship between Value Co-Creation and Customer Loyalty (R = .308).

The coefficient of determination ($R^2$ = .095) indicates that Value Co-Creation explains approximately 9.5% of the variance in Customer Loyalty. This suggests that value co-creation contributes to improving customer loyalty, although additional factors may also affect loyalty levels.

The Adjusted $R^2$ value (.089) confirms that the model has acceptable explanatory capability.

2. **ANOVA Interpretation :**

**Table 7: ANOVA Results for H2**

**ANOVA[a]**

| Model | | Sum of Squares | df | Mean Square | F | Sig. |
|---|---|---|---|---|---|---|
| 1 | Regression | 5.507 | 1 | 5.507 | 18.593 | .000[b] |
| | Residual | 52.718 | 178 | .296 | | |
| | Total | 58.225 | 179 | | | |

a. Dependent Variable: Loyalty

b. Predictors: (Constant), VCC

**Source :** logiciel SPSS

Table 7 presents the ANOVA results for Hypothesis H2. The ANOVA results demonstrate that the regression model is statistically significant ($F = 18.593$, $p < 0.001$).

This indicates that the model effectively predicts Customer Loyalty and that the relationship between Value Co-Creation and Loyalty is statistically meaningful rather than occurring by chance.

### 3. Coefficients Interpretation :

**Table 8: Regression Coefficients for H2**

**Coefficients[a]**

| Model | | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. |
|---|---|---|---|---|---|---|
| | | B | Std. Error | Beta | | |
| 1 | (Constant) | 2.601 | .236 | | 11.015 | .000 |
| | VCC | .332 | .063 | .366 | 5.255 | .000 |

a. Dependent Variable: Engagement

**Source :** logiciel SPSS

Table 8 presents the regression coefficients for Hypothesis H2. The regression coefficient for Value Co-Creation is positive and statistically significant ($\beta = .308$, $t = 4.312$, $p < 0.001$).

This finding indicates that Value Co-Creation has a significant positive effect on Customer Loyalty. Customers who actively participate in providing feedback, sharing ideas, and interacting with brands are more likely to remain loyal and continue their relationship with those brands.

The positive beta coefficient confirms that increased customer involvement in co-creation activities leads to higher loyalty levels.

This finding is consistent with the theoretical discussion presented in the literature review, particularly the Commitment-Trust Theory developed by Morgan and Hunt (1994), which explains that customer involvement, trust, and interaction contribute positively to long-term loyalty relationships. The result also supports the ideas of Prahalad and Ramaswamy (2004), who emphasized that customer participation in value creation strengthens customers' attachment and commitment toward brands.

**Therefore, Hypothesis H2 is accepted.**

**Hypothesis H3: Value Co-Creation positively influences Innovation**

1. **Model Summary Interpretation :**

**Table 9: Regression Model Summary for H3**

**Model Summary**

| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate |
|---|---|---|---|---|
| 1 | .307[a] | .094 | .089 | .64691 |

a. Predictors: (Constant), VCC

**Source :** logiciel SPSS

Table 9 presents the regression model summary for Hypothesis H3. The regression analysis revealed a positive relationship between Value Co-Creation and Innovation (R = .307). This indicates that higher levels of customer participation, feedback sharing, and collaboration with companies are associated with higher perceptions of innovation.

The coefficient of determination ($R^2$ = .094) indicates that Value Co-Creation explains approximately 9.4% of the variance in Innovation. This suggests that customer involvement in co-creation activities contributes to improving innovation outcomes, such as generating new ideas, enhancing product quality, and developing better solutions. However, the relatively low percentage also indicates that other factors outside the model may influence innovation.

The Adjusted $R^2$ value (.089) confirms that the model has an acceptable explanatory capability and that the relationship remains stable after adjusting for sample size and predictors.

**2. ANOVA Interpretation :**

**Table 10: ANOVA Results for H3**

**ANOVA[a]**

| Model | | Sum of Squares | df | Mean Square | F | Sig. |
|---|---|---|---|---|---|---|
| 1 | Regression | 7.756 | 1 | 7.756 | 18.534 | .000[b] |
| | Residual | 74.491 | 178 | .418 | | |
| | Total | 82.248 | 179 | | | |

a. Dependent Variable: Innovation

b. Predictors: (Constant), VCC

**Source :** logiciel SPSS

Table 10 presents the ANOVA results for Hypothesis H3. The ANOVA results demonstrate that the regression model is statistically significant ($F = 18.534$, $p < 0.001$).

This indicates that the model effectively predicts Innovation and that the relationship between Value Co-Creation and Innovation is statistically meaningful rather than occurring by chance.

**3. Coefficients Interpretation :**

**Table 11: Regression Coefficients for H3**

**Coefficients[a]**

| Model | | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. |
|---|---|---|---|---|---|---|
| | | B | Std. Error | Beta | | |
| 1 | (Constant) | 2.668 | .299 | | 8.922 | .000 |
| | VCC | .345 | .080 | .307 | 4.305 | .000 |

a. Dependent Variable: Innovation

**Source :** logiciel SPSS

Table 11 presents the regression coefficients for Hypothesis H3. The regression coefficient for Value Co-Creation is positive and statistically significant ($\beta = .307$, $t = 4.305$, $p < 0.001$).

This finding indicates that Value Co-Creation has a significant positive effect on Innovation. Customers who actively participate in providing feedback, sharing ideas, and collaborating with companies contribute to improving products, services, and innovative solutions.

The positive beta coefficient confirms that increased customer involvement in co-creation activities leads to higher levels of innovation.

This finding is consistent with the theoretical discussion presented in the literature review, particularly the open and collaborative innovation perspective proposed by Chesbrough (2003), which emphasizes the importance of external actors and customer participation in innovation processes. The result also supports the ideas of Prahalad and Krishnan (2008), who explain that innovation through value co-creation depends on collaboration between firms and customers to generate new ideas and improve organizational performance.

**Therefore, Hypothesis H3 is accepted.**

**Hypothesis H4: Digital Platforms significantly moderate the relationship between Value Co-Creation and Customer Engagement**

1. **Model Summary Interpretation :**

**Table 12: Regression Model Summary for H4**

**Model Summary**

| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate |
|---|---|---|---|---|
| 1 | .631[a] | .399 | .388 | .42807 |

a. Predictors: (Constant), intraction, Digital, VCC

**Source :** logiciel SPSS

Table 12 presents the regression model summary for Hypothesis H4. The regression analysis revealed a strong relationship between Value Co-Creation, Digital Platforms, and Customer Engagement (R = .631).

The coefficient of determination ($R^2$ = .399) indicates that the independent variables and their interaction explain approximately 39.9% of the variance in Customer Engagement. This suggests that Value Co-Creation, Digital Platforms, and their combined effect contribute substantially to predicting customer engagement.

The Adjusted $R^2$ value (.388) confirms that the model has good explanatory capability.

## 2. ANOVA Interpretation :

**Table 13: ANOVA Results for H4**

**ANOVA[a]**

| Model | | Sum of Squares | df | Mean Square | F | Sig. |
|---|---|---|---|---|---|---|
| 1 | Regression | 21.375 | 3 | 7.125 | 38.882 | .000[b] |
| | Residual | 32.251 | 176 | .183 | | |
| | Total | 53.626 | 179 | | | |

a. Dependent Variable: Engagement

b. Predictors: (Constant), intraction, Digital, VCC

**Source :** logiciel SPSS

Table 13 presents the ANOVA results for Hypothesis H4. The ANOVA results demonstrate that the regression model is statistically significant (F = 38.882, $p < 0.001$).

This indicates that the model effectively predicts Customer Engagement and that the relationships among the variables are statistically meaningful rather than occurring by chance.

### 3. Coefficients Interpretation :

**Table 14: Regression Coefficients for H4**

**Coefficients[a]**

| Model | | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. |
|---|---|---|---|---|---|---|
| | | B | Std. Error | Beta | | |
| 1 | (Constant) | -2.417 | .845 | | -2.859 | .005 |
| | VCC | 1.357 | .240 | 1.496 | 5.644 | .000 |
| | Digital | 1.380 | .213 | 1.621 | 6.478 | .000 |
| | intraction | -.288 | .059 | -1.952 | -4.842 | .000 |

a. Dependent Variable: Engagement

**Source :** logiciel SPSS

Table 14 presents the regression coefficients for Hypothesis H4. The regression coefficients for Value Co-Creation ($\beta = 1.496$, $t = 5.644$, $p < 0.001$) and Digital Platforms ($\beta = 1.621$, $t = 6.478$, $p < 0.001$) were positive and statistically significant.

Most importantly, the interaction term between Value Co-Creation and Digital Platforms was also statistically significant ($\beta = -1.952$, $t = -4.842$, $p < 0.001$), indicating that Digital Platforms affects the relationship between Value Co-Creation and Customer Engagement.

This finding confirms that the effect of Value Co-Creation on Customer Engagement changes depending on the level of Digital Platform usage. Digital platforms such as social media, company websites, and mobile applications facilitate communication, interaction, and customer participation, which affects customer engagement within value co-creation environments.

This result is consistent with the theoretical discussion presented in the literature review, particularly the studies of Brodie et al. (2011) and Nguyen et al. (2021), which emphasized the important role of digital platforms and online interaction in enhancing customer participation and engagement within value co-creation environments.

**Therefore, Hypothesis H4 is accepted.**

## Conclusion of Chapter Three:

The empirical investigation conducted in this chapter provided important insights into the role of value co-creation in shaping customer behavior and marketing outcomes. The statistical findings revealed that customer participation and interaction with brands positively contribute to engagement, loyalty, and innovation. In addition, digital platforms were shown to play a significant role in strengthening communication and interaction between companies and consumers.

The results also demonstrated that customers are no longer passive recipients of value but active participants in the creation of experiences, ideas, and brand-related interactions. These findings confirm the growing importance of collaborative and interactive marketing approaches. Overall, the empirical analysis supports the idea that value co-creation represents an important strategic tool for organizations seeking to improve customer relationships and encourage continuous innovation.

# CONCLUSION

# Conclusion

The present study aimed to investigate the impact of Value Co-Creation on Customer Engagement, Customer Loyalty, and Innovation, while examining the moderating role of Digital Platforms in the relationship between Value Co-Creation and Customer Engagement. The research was motivated by the growing importance of customer participation in value creation processes and the increasing role of digital technologies in facilitating interactions between firms and customers.

To achieve the objectives of the study, a mixed-methods approach combining quantitative and qualitative research was adopted. The quantitative component relied on a questionnaire administered to consumers in Algeria, while the qualitative component provided complementary insights into participants' perceptions and experiences regarding value co-creation. The collected data were analyzed using appropriate statistical and interpretative techniques to test the proposed hypotheses and gain a deeper understanding of the relationships among the study variables.

The findings revealed that Value Co-Creation has a significant positive effect on Customer Engagement. Customers who actively participate in value creation activities tend to develop stronger emotional, cognitive, and behavioral connections with brands. This result confirms that involving customers in the creation process enhances their level of engagement and strengthens their relationship with organizations.

The study also demonstrated a positive relationship between Value Co-Creation and Customer Loyalty. Customers who contribute to value creation are more likely to develop trust, satisfaction, and commitment toward a brand, leading to stronger loyalty and long-term relationships. This finding highlights the strategic importance of customer participation in building sustainable competitive advantages.

Furthermore, the results indicated that Value Co-Creation positively influences Innovation. Through their ideas, feedback, experiences, and suggestions, customers contribute valuable insights that support the development of new products, services, and business solutions. This confirms that customers are not merely passive recipients of value but active partners in organizational innovation.

In addition, the study confirmed the moderating role of Digital Platforms in the relationship between Value Co-Creation and Customer Engagement. Digital platforms facilitate communication, interaction, and collaboration between firms and customers.

Overall, the findings support all the proposed hypotheses and provide empirical evidence that Value Co-Creation is an important driver of Customer Engagement, Customer Loyalty, and Innovation. Moreover, Digital Platforms play a crucial role in enhancing these relationships by creating interactive environments that support collaboration and value creation.

From a managerial perspective, the results suggest that organizations should encourage customers to actively participate in value creation activities through feedback mechanisms, online communities, social media platforms, and innovation initiatives. Companies should also invest in effective digital technologies that facilitate continuous interaction and collaboration with customers. Such practices can help organizations strengthen customer relationships, increase loyalty, and foster innovation.

Despite its contributions, this study has several limitations that should be acknowledged. First, the study was based on a sample of respondents that may not fully represent the diversity of Algerian consumers. Second, a non-probability sampling technique was employed, which may limit the generalizability of the findings. Third, the research was conducted exclusively within the Algerian context; therefore, the results may not be directly applicable to other countries or cultural settings. Finally, the study focused on a limited number of variables, while other factors may also influence customer engagement, loyalty, and innovation.

These limitations open several avenues for future research. Future studies could employ larger and more diverse samples to improve the representativeness of the findings. Comparative studies between Algeria and other countries could provide valuable insights into the influence of cultural and market differences on value co-creation practices. Researchers could also investigate additional variables such as customer satisfaction, trust, customer experience, brand love, and purchase intention. Furthermore, qualitative methods, including interviews and focus groups, could be used to gain a deeper understanding of customers' perceptions and experiences regarding value co-creation.

In conclusion, this study confirms that Value Co-Creation represents a powerful strategic approach for organizations seeking to enhance customer engagement, strengthen customer loyalty, and stimulate innovation. The findings emphasize the importance of involving

customers as active partners in value creation processes and highlight the essential role of Digital Platforms in these interactions. By providing empirical evidence from the Algerian context, this research contributes to the existing literature on Value Co-Creation and offers valuable insights for both academics and practitioners. As markets become increasingly competitive and digitalized, organizations that successfully engage customers in co-creation activities will be better positioned to create sustainable value and achieve long-term success.

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# APPENDICES

**Appendix 1: Questionnaire**

# The impact of Value co-creation on Engagement, Loyalty, and Innovation.

We are conducting a study on Value Co-Creation and its impact on customer engagement, loyalty, and innovation. This questionnaire aims to understand how customers interact with brands and contribute to value creation.

Your responses are completely anonymous and will be used only for academic purposes. There are no right or wrong answers; we are only interested in your honest opinions and experiences.

NOTE (what is value co-creation): Value co-creation means that customers/consumers participate in creating value with brands. This can happen when customers share their opinions, give feedback, suggest ideas, or interact with brands on social media. In this way, both the company and the customer work together to improve products, services, and overall experience.

We sincerely thank you for taking the time to complete this questionnaire. Your cooperation and contribution are highly appreciated.

* Required

## Questionnaire language

**Choose your language / Choisissez votre langue / اختر لغتك**

- English
- Français
- العربية

# Attitudes Toward VCC

**Do you usually interact with brands via social media, feedback, ...?**

- Yes
- No
- Other :

**On which platforms do you usually interact with brands?**

- Facebook
- Instagram
- TikTok
- YouTube
- LinkedIn
- Company websites
- Mobile applications
- All
- Other :

| Statements | Strongly Disagree | Disagree | Neutral | Agree | Strongly Agree |
|---|---|---|---|---|---|
| I participate in providing feedback to companies | ☐ | ☐ | ☐ | ☐ | ☐ |
| I share my ideas or suggestions with companies to improve products/services | ☐ | ☐ | ☐ | ☐ | ☐ |
| I feel that my input can influence a brand's decisions | ☐ | ☐ | ☐ | ☐ | ☐ |
| I enjoy being involved in the creation or improvement of products | ☐ | ☐ | ☐ | ☐ | ☐ |
| I trust brands that listen to customer input | ☐ | ☐ | ☐ | ☐ | ☐ |
| I am willing to spend time helping brands improve | ☐ | ☐ | ☐ | ☐ | ☐ |

## Customer Engagement

| Statements | Strongly Disagree | Disagree | Neutral | Agree | Strongly Agree |
|---|---|---|---|---|---|
| I pay attention to brands that involve customers | ☐ | ☐ | ☐ | ☐ | ☐ |
| I am interested in interacting with such brands | ☐ | ☐ | ☐ | ☐ | ☐ |
| I feel positive emotions toward brands that involve customers | ☐ | ☐ | ☐ | ☐ | ☐ |
| I feel connected to brands that value my participation | ☐ | ☐ | ☐ | ☐ | ☐ |
| I interact with brands through comments, sharing, or feedback | ☐ | ☐ | ☐ | ☐ | ☐ |
| I actively participate when given the opportunity | ☐ | ☐ | ☐ | ☐ | ☐ |

## Customer Loyalty

| Statements | Strongly Disagree | Disagree | Neutral | Agree | Strongly Agree |
|---|---|---|---|---|---|
| I am likely to continue dealing with such brands | ☐ | ☐ | ☐ | ☐ | ☐ |
| I would recommend these brands to others | ☐ | ☐ | ☐ | ☐ | ☐ |
| I feel loyal to brands that involve me in their processes | ☐ | ☐ | ☐ | ☐ | ☐ |
| I would choose these brands even if alternatives are available | ☐ | ☐ | ☐ | ☐ | ☐ |
| I share my opinions about products/services online | ☐ | ☐ | ☐ | ☐ | ☐ |
| I feel attached to brands that value my opinion | ☐ | ☐ | ☐ | ☐ | ☐ |

## Digital Platforms

| Statements | Strongly Disagree | Disagree | Neutral | Agree | Strongly Agree |
|---|---|---|---|---|---|
| Digital platforms facilitate interaction with companies | ☐ | ☐ | ☐ | ☐ | ☐ |
| Social media increases my participation with brands | ☐ | ☐ | ☐ | ☐ | ☐ |
| Digital platforms enhance my overall experience with brands | ☐ | ☐ | ☐ | ☐ | ☐ |

# Innovation

| Statements | Strongly Disagree | Disagree | Neutral | Agree | Strongly Agree |
|---|---|---|---|---|---|
| Companies improve their services based on customer input | ☐ | ☐ | ☐ | ☐ | ☐ |
| Co-creation helps generate new ideas | ☐ | ☐ | ☐ | ☐ | ☐ |
| Customers play a role in developing new products/services | ☐ | ☐ | ☐ | ☐ | ☐ |
| Collaboration with customers leads to better solutions | ☐ | ☐ | ☐ | ☐ | ☐ |
| I believe co-creation increases product quality | ☐ | ☐ | ☐ | ☐ | ☐ |

# Open-ended Question

**In your opinion, how does value co-creation influence your relationship with brands in Algeria?**

# General Information

**Gender**

- Male
- Female

**Age**

- less than 20
- 20-30
- 31-40
- 41 or above

**What is your highest level of education?**

- High school or less
- College / University
- Bachelor’s degree (Licence)
- Master’s degree
- Doctorate (PhD)

**What is your employment status?**

- Student
- Employed
- Self-employed
- Unemployed
- Other :

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