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From Customer Participation to Perceived Value

-- A Perspective of Service-Dominant Logic

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Abstract: Customer participation and value co-creation are two core concepts in service marketing, which emphasize that customers are no longer passive value recipients but active value co-creators. This paradigm implies that industries must adopt service-oriented strategies in the future to deliver remarkable experiences and superior value for customers. This paper primarily uses two cases to illustrate its arguments, employing both qualitative and quantitative analysis methods to demonstrate the implications of customer participation and perceived value, as well as the relationship between them. The study offers a reference for practices in service companies and for the service-oriented transformation of manufacturing enterprises. Nonetheless, some research gaps remain, such as multi-industry studies, multi-perspective analyses, and the intrinsic relationships across different value dimensions.

Keywords: Co-creation; Customer Participation; Perceived Economic Value; Perceived Emotional Value.

1. Introduction

In service marketing, value is a key factor that is not easy to measure. It is primarily attributed to the four characteristics of "service": intangibility, inseparability, heterogeneity, and perishability (Zeithaml et al., 1985). While traditional marketing emphasizes one-time transactions and acquiring new customers, service marketing relies more on customer trust, striving to enhance customer engagement through collaboration and communication, in order to maintain the supplier's opportunity to serve customers continuously. However, this trend has become mainstream in marketing in the era of the experience economy. Even for manufacturing enterprises, the service marketing mindset is gradually replacing the traditional goods-dominant (GD) marketing logic, thereby reshaping the entire market. Not only technology companies like Xiaomi, Apple, and Tesla, but also manufacturing enterprises like De Rucci, Siemens, and Midea have long been engaged in their transformation toward service-oriented manufacturing. Therefore, in the service industry, what role does the customer participation (CP) play? What value implications are perceived by customers? Based on an understanding of relevant concepts, this paper discusses, through two case studies, the logic from CP to perceived value (PV).

2. Relevant Concepts

2.1. Service Marketing

Marketing is a broad concept, the typical theory of which—such as the 4P (product, price, place, promotion) framework (Kotler & Dubois, 1986)—was initially summarized based on the marketing practices of tangible products. It focuses on how to sell things to customers. However, service marketing emerged in the 1970s and 1980s, along with the service industry (finance, healthcare, education, hospitality, consulting, etc.) accounting for an increasingly large share of the economy. Scholars and enterprises found that there were many problems when applying the methods used to sell soap to promote banking services. Thus, service marketing became a distinct field separated from traditional marketing, focusing on addressing the marketing challenges of "intangible products".

Service-dominant (SD) logic (Vargo & Lusch, 2004) has proposed a conceptual framework for service marketing. The traditional GD logic centers on commodities and companies, while the SD logic emphasizes that customer is always playing a role of value co-creator. In service marketing, CP is not merely "interaction", but also a core component of service production, delivery, and value co-creation. The role of CP has fundamentally transformed the traditional marketing model of "business-led, customer-receptive".

2.2. Value Co-creation

Different people have different understandings of value co-creation. In the service economy, service is the basic element of exchange. The participants in co-creation need to apply operational resources (knowledge and skills) to create benefits for other co-creation actors (Vargo & Lusch, 2014). Therefore, both customers and suppliers act as resource integrators. In contrast, Eggert et al. (2018) demonstrated the historical evolution of customer value from exchange value to use value, which clearly transformed the essence and scope of the customer value proposition. In summary, value is the result of the synergistic effect between customers and suppliers, and it always originates from co-creation.

Except for the co-creation between customers and suppliers, there are additional perspectives to consider. For example, platform-based enterprises often build ecosystems for co-creation, where multiple collaborative roles can fulfill their functions. These roles may include customers, enterprises, suppliers, partners, governments, and other stakeholders, and their "participation" remains the premise and foundation of co-creation.

2.3. Customer Participation

CP refers to the resources and behaviors invested in the service process to achieve the desired service value. Its form

can be diverse, possibly behavioral, cognitive, or emotional. The key aspects of CP are the degree and quality of participation, which can directly influence the service experience, service outcomes, production efficiency, and ultimately customer satisfaction and loyalty. CP is also considered a form of involvement, conceptualized as the interaction and connection between customers and service entities, rather than a purchasing action (Yi et al., 2021). In SD logic, companies are urged to act as promoters in the value co-creation process (Payne et al., 2008). CP reflects the efforts invested in jointly providing services (Chan et al., 2010), and such engagement enables service suppliers to establish better relationship with their customers (Bendapudi & Leone, 2003).

The phenomenon of CP is ubiquitous across all industries. For instance, students attend classes on time, ask questions, and build emotional connections with teachers; patients describe their medical history and symptoms to doctors, cooperate with them in treatment, and build trust with them; IKEA customers experience products in the store, purchase items, and assemble furniture according to the instructions; social media users conceptualize and create content, publish original material, and gain recognition from the community.

Take an AI sleep companion software as an example: individuals experiencing difficulty falling asleep, poor sleep quality, and high workplace stress participate in using the application by leveraging AI technology for guided meditation, sleep monitoring, and personalized sleep improvement recommendations—thereby creating the value that customers demand. Simultaneously, customers provide feedback on software usability, offer suggestions to suppliers, and help improve the sleep solution. Therefore, CP is a crucial antecedent of co-creation. In fact, CP has been proven to bring value to both customers and companies (Yim et al., 2012).

3. The Source of Perceived Value and Its Composition

Value is seen as a comparison between the benefit and the cost, which is the fundamental basis of marketing activities (Holbrook, 1994). PV is often defined as "the ratio or trade-off between total benefits gained and total sacrifices made" (Patterson & spring, 1997).

The composition of PV can be single-dimensional, and it can also be multi-dimensional. When considered as a single dimension, PV often focuses on the overall evaluation, although it is measured from multiple aspects. When PV is seen as a multi-dimensional variable, the implication of it can be more abundant. For example, there are dimensions such as economic/transactional, functional, emotional, social/relational, etc. Moreover, they can interact logically with other elements. Previous literature (Bajs, 2015; Prebensen & Xie, 2017) has discussed the components of PV from rational and affective perspectives, and their relationship with relevant variables.

In using AI sleep companion application, how do customers evaluate the value? First, from a risk perspective, the potential user will consider the cost and loss of using the software. For example, they need to install an application on their phones, which will take up a small amount of memory. Using this application will result in a loss of their time, leading to less time for brushing short videos. If some more professional sleep companion features are wanted, they may even need to pay a certain fee to the service provider. However, at the same time, users will also enjoy the benefits of an AI sleep companion application. For instance, the users can enjoy a vast collection of music, stories, and audio-visual content spanning diverse themes, following the AI sleep companion program into sleep, using the sleep monitoring function to assess sleep health levels, and obtaining sleep improvement solutions. In summary, customers of AI sleep companion software may incur certain financial losses, and will also experience emotional healing and a more peaceful sleep. Thus, this case illustrates that PV encompasses both rational and emotional dimensions, and these dimensions may interact with one another.

4. From Customer Participation to Perceived Value

This section uses consulting services as an example to analyze the impact of CP on PV. The study applies the typical scales from Chan et al. (2010) and Yim, et al. (2012) to investigate 465 respondents' CP and PV. In terms of CP, the respondents were asked whether they spent a lot of time sharing information, whether they made efforts to express individual requirements, whether they provided suggestions for their suppliers, and whether they were highly engaged in the service process. In terms of perceived economic value, the respondents were asked whether, through their participation, they gained higher service quality, more customized service, more professional service, greater control over service quality, and fewer service failures. In terms of perceived emotional value, the respondents were asked whether they enjoyed the service process and whether the service process could be described as fun. The statistical results indicate that CP significantly and positively impacts customers' perceived economic and emotional value.

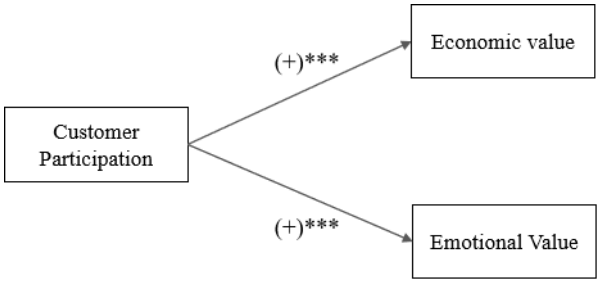


Figure 1. From Customer Participation to Perceived Value

However, the majority of the literature has only demonstrated the influence of CP on PV from a single dimension thus far, with limited discussion on the decomposition of value. Moreover, although there may be additional dimensions of PV, from the dualistic perspective of Eastern and Western philosophy, dividing PV into rational and emotional dimensions is widely accepted. Some scholars believe that these two dimensions are completely independent and do not interfere with each other (Sheth et al., 1991), others think that the two are unified and mutually opposed (Gutman et al., 1982). In my opinion, these two may be in a dialectical unity. In the study of knowledge services business, it is discovered that CP can reduce service costs, thereby lowering service prices and generating economic benefits for customers themselves. Meanwhile, customers also derive emotional pleasure and satisfaction from service consumption experiences, personalized customization, and deep engagement, thereby enhancing service satisfaction and increasing subsequent purchase intention.

5. Future Research Prospect

There are two research gaps in this study. First, in the fields of service marketing and the experience economy, the economic and emotional value perceived by customers still requires further quantitative research and logical analysis. Although current research confirms that CP is a precursor of PV, the intrinsic relationship between economic and emotional value remains unclear. Second, studies have only been conducted on the "customer–enterprise" relationship within the single context of the consulting industry, and such relationships have not yet been investigated across different industries or among various co-creation entities. The research results may vary due to differences in research context.

6. Summary

Value co-creation in service marketing is a promising research direction for the future. With the development of AI and information technologies, new business formats are gradually emerging. Through qualitative analysis of an AI sleep companion application, this article explores customers' CP and PV. Moreover, quantitative research on consulting services confirms a positive influence of CP on customers' perceived economic and emotional value. The study helps service-oriented enterprises identify potential customers and determine whether to proceed with further marketing actions by evaluating customer behavior. This can reduce marketing expenses, lead to lower service pricing, and ultimately achieve maximizing benefits for both companies and their customers.

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