Exploring Value Co-creation in Online Group Buying: A Consumer Perspective

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Abstract: Contemporary business organizations are increasingly turning their attention to jointly creating value with a variety of stakeholders, such as individual customers and other business organizations. However, a review of the literature reveals that very few studies have systematically examined value co-creation within online group buying. This study reveals that there are different mechanisms underlying value co-creation. In addition to providing insights about the phenomenon of co-creation itself, the study contributes to the strategy of value co-creation between a group buying website and its customers.

Keywords: Group buying, Value co-creation, Business-to-team alliance

1 Statement of Problem and Literature Review

The traditional goods-centered perspective of marketing views the customer as the target of production and marketing (Kohli & Jaworski, 1990; Levitt, 1960; Narver & Slater, 1990; Vargo & Lusch, 2004). In the traditional view the production process adds value to a product, and then marketing captures the value through an exchange process via the price. The S-D Logic framework expands the explanatory power of the traditional view by positioning a customer’s value determination in two additional dimensions beyond price (Vargo & Lusch, 2004). ‘Co-production’ can occur via customization, co-innovation, or direct co-participation of the customer in the production process. A growing trend in today’s business environment is co-creation of value by a firm and its primary stakeholders, such as customer, supply chain and so on. While the product itself may remain constant, the value proposition does not; the customer’s desires and experiences evolve in response to time, place, and company (Prahalad & Ramaswamy, 2004). They also highlight the essence of co-creation by arguing that it is “not the transfer nor out-sourcing of activities…nor a marginal customization of products and services.” Instead, they emphasize the importance of “personalized interactions” between a firm and its stakeholders. Along with the growing popularity of co-creation, in recent times “there has been tremendous growth in the formation of…. alliances” between two or more firms (e.g., Gulati et al. 2009, p. 1213). From a service-dominant view, value creation is no longer the end result of a dyadic exchange between a seller and a customer at a fixed point in time as determined by the price (Chen & Watanabe, 2007; Payne et al., 2008; Prahalad, 2004; Vargo & Lusch, 2004). Instead value occurs throughout the interactive co-creation process between a customer and a firm (Chen & Watanabe, 2007). Furthermore, the firm and the customer are each embedded in a network of other firms and customers. Value is continuously re-inventing itself based upon the interactions of individuals and organizations, leading the co-creation process to evolve over time (cf. Reimartz & Kumar, 2000). Co-creation inherently implies, and possibly subsumes, trust and commitment (Jaworski and Kohli, 2006, p. 117).

Co-creation also influences customer’s satisfaction and future intention. Jaworski and Kohli (2006, p. 117) find that ‘because the offering is co-developed, it has a higher probability of accurately meeting the customer needs’. The co-creating customer becomes part of the process of value creation, an inextricable part of future value creation within the network. The process of co-creation increases the likelihood of positive future intention because the firm generates unique insights into the co-creating customers’ sources of value (Jaworski & Kohli, 2006; Liang & Wang, 2008; Payne et al., 2008).
Co-creation is an evolutionary process that occurs not only between the firm and the customer but also among the community of customers. However, despite some focus on co-creation of value in general, and on co-creation within business-to-business (B2B) alliances in particular, little is known about mechanisms underlying value co-creation in online group buying setting. This research objective, then, is to develop an exploring understanding of the co-creation of value in the context of a specific type of their partnership.

2 Value in the Online Group Buying: A Customer Perspective

2.1 Online group buying
Groupon mode, which is originated in the United States, has developed into an emerging business force in short period of time. Our country network group purchase industry has started to no more than two years, its development was rapidly and became the fastest expansion sales mode. As a part of the network shopping, online group purchase is born with all its advantages, such as convenient, fast, without geographical restrictions. The price advantage is even more obvious than the average shopping network. At present the online group purchase form generally has three kinds: the first kind is the spontaneous behavior of group purchase; the second is the professional group purchase, such as companies, websites and personal, which has appeared a typical form at present. The third is Vendors self-initiated type. There are also some shortcomings to overcome. Chinese consumers have not mature online shopping habits, and Laws and regulations and credibility obligating mechanism is not perfect. It is not in conformity with the expected quality when received the goods. Besides, the logistics distribution and payment services do not satisfying the need of consumers.

2.2 Value in the online group buying
Chinese online group purchase consumers has the characteristics of young, fashion, more sensitive to the price, they have a certain cultural foundation and often browse webpage during their spare time. From the analysis of the online group purchase consumers, the websites have to expand customer base, expand the scale, and satisfy their need, except for premium features to provide the appropriate services and cost-effective products. Besides, they also need to provide some other aspects of the value. As follows are the unique values in this business mode:

Value moves from product to solutions, then to experience. No one company can create a unique personalized experience through all the necessary resources. Therefore, all enterprises will have to be sourced from the best access to personnel, components, products and services. Group buying gathers a lot of consumer groups and vendors, various kinds of goods. It can improve the consumer experience level and create the experience value, while consumers spending in the process of innovative use of products and business and consumer interaction, especially to give consumers the emotional experience. That is the core of enterprise value co-creation.

Convenience and cost. Online group purchase website use scarce marketing. The formation of the group purchase goods attracts consumer group purchase commodity active attention and adhere to their psychological expectations by defining a product, limited service, limited time, limited area, thus to some extent to improve the user viscosity. Through the implementation of experiential marketing, it is not only easier to find a suitable for your product in the numerous goods, but also greatly simplifies the shopping process, reduce the consumer shopping time, improve the purchase efficiency, reduce purchase risk, and improve reputation flow in the long round.

Social interaction. Online group buying behavior can provide a communication topic of products or website and exchange of a kind of social value. Sheth Sisodia and Sharma think “the enterprise success lies in the quality of the interactive relationship with consumers”. But the enterprises often view this interaction as a tool. Actually interactive experience value itself is also worth digging. Pra-halad and Ramaswamy think “the consumer and enterprise employees in the process of the contact are an important channel for experience value”. The operator door-to-door salesman and repair members all is
the important personnel with consumers' exposure to the enterprise staff to offer consumers a meet its demand the product or service. So enterprise should make them understand consumers to sincerely trust relationship needs, and both sides in the contact to offer consumers the importance of happy experiences. Exchanges between the sales staff and the communicative behavior of consumers can form the interaction relationship between subject of this relationship, can not only solve trade barriers, still can make consumers directly produce emotion experience.

**Fashion.** Group buying is a new type of shopping mode and consumer groups most are young peoples. They pursue new things, accept ability and learning ability, and would like to experience new way of life, to bulk up their fashionable feeling in this process.

### 2.3 The principle of value co-creation in online group buying

There are four principle of value co-creation in online group buying, which are the co-produce, interests, interact directly and provide a platform, make the interested parties can interaction and share their experiences. The creation of value has spread across the boundaries of manufacturers, extended to the customer creation process and enterprise and customer interaction process. Customer’s common production is to create value, so customers participate in value-added link has the important meaning. As for both parties, the customer always hope to minimize cost, the manufacturer is always hope the profit maximization. So in the common create, the two sides need set from "gain and loss" relationship to the "win-win" relationship, the target to reach an agreement, exchanging timely sensitive information. Terry a britten and Diana · Lhasa in the perspective of the consumer to look through the whole process of the experience of the fee. They put forward the experience with in five stages of the buying process is found, evaluation, acquisition, integration and expand, the enterprise can through to these phase observation, discover problems and put forward the method of promoting customer experience, perfect the enterprise to the value of the offer.

### 3 The Optimization Measures

#### 3.1 Value co-creation between the website and company

Group buying website needs more consumer groups and supplier group to support, especially supplier group. They compete through the line workers main task to develop competitive business, to meet different needs and provide the large-scale, a higher discount suppliers, the value of the concentration transfer. To the customer, after the success of the purchase, the businessman to provide the goods or services, customer's final experience is related with the businessman service quality. Therefore, the website and businessman must cooperate to provide bulk order value, Logistics distribution, quality and service, to guarantee the customer satisfaction.

#### 3.2 Value co-creation between the website and consumers

As for the customer, the customer value is the experience of customers, the customer in the value of the work together to create a continuous perception, obtain spiritual, emotional, intellect and various aspects of the experience. In order to internet users have stronger participation motives, group buying websites should first to make the web interface humanized and friendly, to participate in a bulk minimum number and time have a limit, build the consumption tension, promote consumer fast moves. Second, group buying websites enhance interactive experience, such as BBS, microblog, online evaluation system, and stimulate customers in the shopping in the process of the psychological, and enhance the customer shopping sense of security, and to promote the potential consumers to join the network in bulk. Interactive is the foundation of customer participating in value co-create. Interaction between customers and the enterprise influence their space and flexibility, and to create opportunities for interaction is a strategic choice.
3.3 Value co-creation between the consumers and company
Because of the traditional market is not transparent and information asymmetry, consumers lies in a vulnerable position. By taking part in online group buying to learn more about the product specification, the performance, reasonable price interval, and reference group buying organizers and other buyers to products of the evaluation of the objective. In the purchase and service process seizing the initiative, really buy good quality and good service, good, the price is reasonable, to save time, save worry, energy, and money purposes. And in the network information society, consumers will have more resources and more consumption community power, so they have enough ability according to certain standards on enterprise sub-divided; choose to meet their own need to target enterprise for consumption. They are now active participate in the online purchasing process instead of being involved. The customer is an important source of enterprise ability, from the production and value might as well as the leading role of supporting transfer back to the customer's "staff". Enterprise is to work together with consumers to create value, so customers can participate in recognition of the value of the link. Appropriate use of customer ability has the important meaning.

3.4 Value co-creation between the consumers
Consumers experience value rely on their experience value. Consumption is not in a vacuum, purchase behavior, purchase experience and satisfied level received the other consumers influence (Martin and Pranter, Hackley and Tiwsakul, Tumba and Horowitz, Rosenbaum and Messiah). The consumer improves the experience value and satisfaction levels between all the consumption in the virtual network environment, through life type consumption, so as to obtain the illusion and interesting experience. Consumers in Brand community and SNS create, improve and maintain, strengthen the spiritual fusion and contact of community members. Members can get care and identity, experience the social significance and value, and through the community members of online comments and word-of-mouth spread to extract information.

4 Research Conclusion and Prospects
The paper highlights the unique business model of an exemplary organization that formed alliances with smaller partner organizations to deploy its core product to customers. Such a study can be valuable for other network organizations that may be motivated to reach out to a broader base of customers but may be unable to do so because of some constraints. We are hopeful that such organizations would benefit from reflecting on some success experiences with value co-creation, and consciously utilizing relevant conceptual knowledge embedded in this work.

References