

A Consideration of Management of the Value Co-Creation with Customers: A Case of the Grocery Retailers

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Abstract: The focus on customer has been recognized as a key success factor of company and considerable research has been conducted in the field of management and marketing. This case study aims to fill in this gap by focusing on the way how grocery retailers co-create value with customers by using a new technology called CalNeCo. The study emphasizes that the traditional analogue system and the new digital system are co-exist and used interactively in the practice of grocery retailers. In the case of a grocery retail management, the management style was not characterized by conventional top-down management and there were multiple needs but not single needs in creating customer relationship.

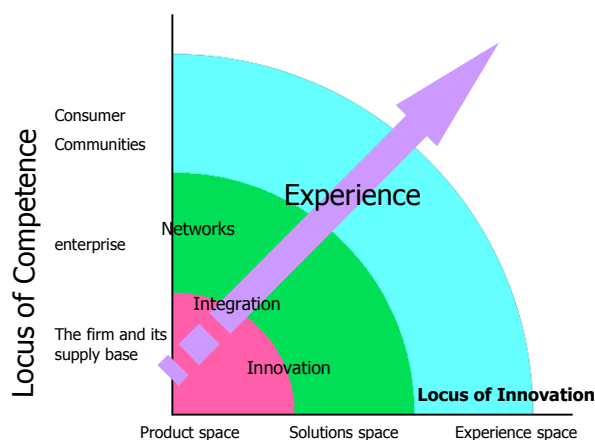
Keywords: value co-creation, relationship, experience, Service Dominant Logic, CalNeCo

I.LITERATURE REVIEW

The purpose of this paper is to consider how company co-creates value with customers.

The focus on customer has been recognized as a key success factor of company and considerable research has been conducted in the field of management and marketing. The concept of “value co-creation jointly with customers” has been presented by Prahalad and Ramaswamy, 2004.

The new starting premise is that the consumer and the firm co-create value, and so the basis of value. The co-creation experience (not the offering) is the basis of unique value for each individual.



Source : Prahalad and Ramaswamy, 2004, p.147.

Fig.1. The New Competitive Space

On the one hand, the study focused on the topic of the relationship with customers and co-creation of value with them has become one of the most popular studies in these fields, but on the other hand, their focus is still on the conceptual level. In other words, many studies focused on *what* is co-creation of value but not *how* company co-creates value with customers. In addition to this, most early studies have focused on large manufacturing firms where they merely contact directly with customers.

Therefore, the study in retail industry where they often have direct contact with customers through their stores has not been conducted enough. Since this technology is quite new, this case study aims to examine how grocery retailers utilize this new technology to manage co-creation of value with customer.

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Vargo and Lusch point out the importance of shift on focus from goods to service by introducing the new concept called “Service Dominant Logic” (2004). Thus marketing focus shifts to customer (co-create value). S-D logic is strategic and traditional marketing mix is tactics.

S-D logic moves the totality of marketing from a product-centric focus to a customer- and knowledge centric focus. Marketing is thus seen as the means by which organizations and societies are able to create value

by the voluntary exchange of knowledge and skills (Lusch and Vargo 2006).

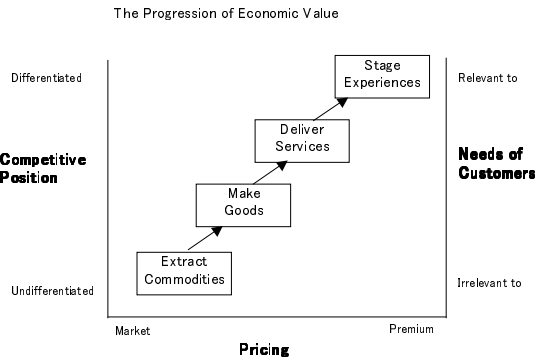
This paper point out the service centered view of marketing is customer-centric and market driven. A service-centered dominant logic implies that value is defined by and co-created with the consumer rather than embedded in output.

Table 1. Marketing Mix versus S-D Logic

Traditional Marketing Mix (tactical)	Service-Dominant Logic (strategic)
Product	Co-Creating service(s)
Price	Co-creating value proposition
Promotion	Co-creating conversation and dialogue
Place (Channel of Distribution)	Co-creating value processes and networks

Source : Lusch and vargo,2006.p.408.

Pine II presents the experience economy. Each successive offering commodities goods services and experiences greatly increases in value because the buyer finds each more relevant to what customer truly wants.



Source : Prahalad and Ramaswamy,2004.p.147.
Fig.2.The Progression of Economic Value

I considered a precedent study. I understood that new viewpoints such as service or the experience. A new viewpoint appeared in management and marketing. In particular this study considers how co-create value is performed.

II. FRAMEWORK

Figure2 represents a framework for a consideration of management of the value co-creation with customers.

I research the co-creation process with company and customers. First, company set the place where exchange of information between company and customers. In the place manager work them to give their opinion. Manager combines customer’s opinion with value.

The point of research is consideration of communication process, and I view how operate the capability of medium-sized and small companies.

Retailer and customer perform interaction through point of contact.

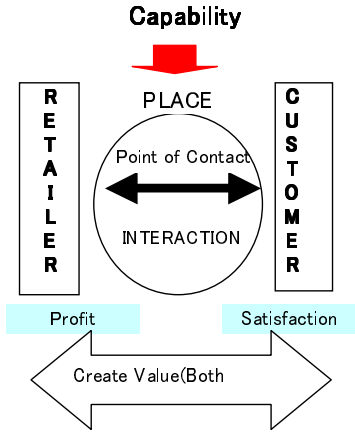


Fig.3.Framework for a consideration

And I set point of view to consider through a framework. Firstly the retailer sets the point of customer contact place.

The retailer performs interactive communication with the customer next. This is ability for relationship construction for the customer. And the retailer reacts to the voice of the customer.

This is organization reaction ability. organization reaction ability has 2types which are ability for out side and ability for inside.

I consider it in the above-mentioned analysis point of view through an example of CalNeCo system.

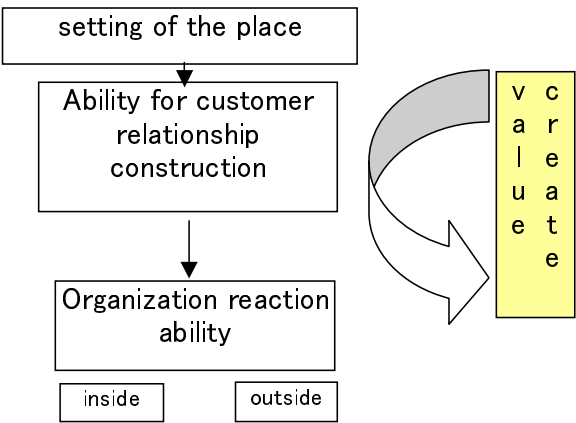
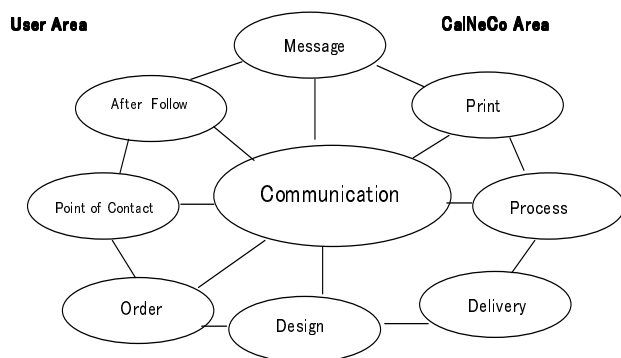


Fig.4. Consideration Point of View

III. CalNeCo SYSTEM

This case study aims to fill in this gap by focusing on the way how grocery retailers co-create value with customers by using a new technology called CalNeCo.

CalNeCo (abbreviation of Calendar, Network and Communication) is the system which supports the co-creation of value with customer by providing information of customers at the store.



Source : CalNeCo

Fig.5. Total CalNeCo system

In the first place, CalNeCo system was made for the maker. CalNeCo system has been developed in retail industry and recently implemented on a trial basis in some grocery retailers. The Point of Sales System (POS) is probably most famous and popular technology used in grocery retailers. However it has been pointed out that information based on POS does not provide any relevant information about why and how particular items are sold since it does provide information only about what, when, by whom and how many items are sold. To complement these limitations of POS, grocery retailers started adopting CalNeCo system.

Now CalNeCo consists of 178 members. Almost member is loyal customer of store. F company's card data is Table2. Upper 30% customers occupy 67.5% of all sales.

Table 2. Analysis(Three months :90 days)

	Customer	amount of money	ratio (%)		unit price	frequency
Decil 1	302	33,938,324	34.8	34.8	2,014	55.8
Decil 2	302	18,566,136	19.0	53.8	1,694	36.9
Decil 3	302	13,335,635	13.7	67.5	1,591	28.1
Decil 4	302	9,982,286	10.2	77.7	1,479	22.4
Decil 5	302	7,507,885	7.7	85.4	1,365	18.6
Decil 6	302	5,690,554	5.8	91.2	1,273	15.0
Decil 7	302	4,023,534	4.1	95.3	1,178	11.3
Decil 8	302	2,616,578	2.7	98.0	1,126	7.9
Decil 9	302	1,487,376	1.5	99.6	1,026	4.9
Decil 10	302	469,136	0.5	100.0	829	1.9
	3020	97,617,444	100.0		1,609	20.3

Source : F company's card data

Figure4 represents a point of contact of CalNeCo system. The retailer communicates with a customer through CalNeCo system. Retailer can acquire information of customer easily.

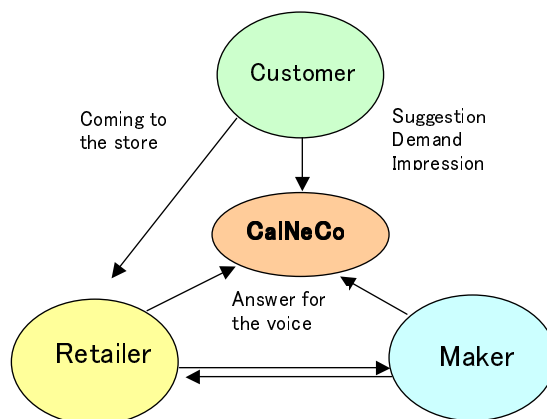


Fig.6.Point of Contact

Customers come to the store. Loyal customer (decil 1) come to the store 55.8 times in 90 days. Therefore, Loyal customer request to high level service for a store.

Example:Voice of Customer (Voc)

- Voc1: selection of Japanese sweet
- Voc2: have a good selection of cheeses
- Voc3: suggestion about today's menu
- Voc4: evaluation about service
- Voc5: complaint about freshness
- Voc6: knowledge about cooking
- Voc7: skill to eat delicious

Many various opinions are given from customer through CalNeCo system. And retailer reacts to voice of the customer.

Example:Reaction of Retailer(Ror)

- Ror1: improvement of the merchandising
- Ror2: improvement of the information contents
- Ror3: education training of the salesperson
- Ror4: article development
- Ror5: improvement of the sales system

I introduce the example that led to article development by react to Voc1. Retailer put good quality sweet in the shop in response to the demand of the

customer. The buyer has thought high sweet are not sell till the voice of the customer arrived. But good quality sweet became the hot seller when buyer sold it.

Table 3. Pos Data

brand name	amount of sale	Sales figures	margin
X	196,739	800	31
Y	59,350	262	29
Z	111,208	456	33
total	367,297	1,518	

IV. FINDINGS

I would consider co-create value through CalNeCo system in analysis point of view.

The first is setting of a place of the customer point of contact. This is performed through a CalNeCo system such as figure 4. Second, ability for customer relationship construction is capability for organization promoting information exchange with the customer. The retailer performs the information exchange with the customer through a system. However, retailer and maker gather regularly and perform the organization inside and the outside correspondence. The retail trade got possible to simplify the information exchange by development of the IT technology. However, the communication of the face to face becomes important.

A merit of the information exchange of the face to face is the following points.

- (1) A participant can communicate immediately.
- (2) A participant is easy to convey intention.

Next it is necessary that the manager switch a management method. And it is necessary for technique of the management to switch from top-down type. It becomes important that the manager manages the atmosphere of the place.

- (1) The manager promotes free information exchange in nature.
- (2) The manager promotes the information exchange that the density is high.
- (3) The manager promotes the interchange of feelings and psychological stimulation.

Ability of these managers is ability to receive the information of the customer. And ability to promote the

atmosphere of the place than controlling a subordinate is important for a manager.

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