



## **Influence of Extrinsic Value on Customer Participation in Value Co-Creation Behaviour: Empirical Investigation using SEM Approach**

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### **ABSTRACT**

The aim of this empirical research is to investigate the influence of extrinsic experiential value on customer participation in value co-creation behaviour in hypermarkets. Data were collected from 800 customers of four top hypermarkets in Malaysia. Structural Equation Modeling (SEM), an analytical technique, was used to analyse the data. Findings indicate that extrinsic experiential value has a positive impact on customer information seeking behaviour, information sharing behaviour, and personal interaction behaviour. The study concludes that in order to develop customer participation in value co-creation behaviour, hypermarkets should provide high extrinsic experiential value in terms of service excellence and high returns on investment. This will influence customer behaviour and engage them to co-create value which is not only beneficial for customers but also for the hypermarkets to gain competitive advantage.

*Keywords:* Value co-creation, service-dominant logic, experiential value, retailing, Malaysia

### **INTRODUCTION**

Research on value co-creation has remained an interesting topic of discussion in the last decade. Various studies have discussed value creation and value co-creation; however, most of them are conceptual in nature (Grönroos & Ravald, 2009; Grönroos, 2011; Grönroos & Voima, 2013)

while empirical studies are limited (Restuccia, Montréal, & Ouellet, 2009; Albinsson, Perera, & Sautter, 2011). The conceptual studies elaborated on the role of customers and the firm in co-creation in various perspectives. The Service-Dominant Logic considers the customer as a value co-creator (Vargo

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& Lusch, 2008) while the service logic (SL) considers the role of customers in value creation differently. According to SL, the customers are always value creators and create value as value-in-use. When customers begin interaction with firms and involve in dialogue, they co-create value. Without interaction and dialogue, co-creation is not possible (Grönroos, 2008, 2011, 2012; Grönroos & Voima, 2013).

The evolution of SL gives an empirical logic for exploring value co-creation. Consequently, various empirical studies have investigated the role of the firm and the customer in value co-creation and resulting outcomes (Dong, Evans, & Zou, 2008; Jaakkola & Alexander, 2014). Nonetheless, studies exploring the factors that contribute to customer participation in value co-creation behaviour are still limited. This is important to investigate because firms can only focus on the factors that motivate the customers to engage in co-creation activities. The decision of participating in value co-creation is made solely by the customers who are not in control of the firms. Thus, it is imperative to know what actually motivates customers to participate in value co-creation.

In modern retailing, such as hypermarkets, customers are not only interested in utilitarian benefits but also in hedonic benefits. The utilitarian and hedonic benefits provided by the hypermarkets give customers extrinsic motivation for consumption through active and reactive value sources (Holbrook, 1994). Therefore, their behaviour is

usually influenced by the benefits they get in the form of extrinsic values (Mathwick, Malhotra, & Rigdon, 2001).

Since co-creation takes place through direction interaction where customers and firms involve in dialogue (Grönroos & Voima, 2013), extrinsic motivation to the customers to start interacting with the firm is necessary. In this context, customer returns on investment and service excellence are important considerations because these are extrinsic experiential values which offer both active and reactive value to the customers. Thus, the extrinsic experiential values are expected to be significant predictors of customer behaviour towards participation in value co-creation activities as the extrinsic cues motivate customers to go beyond shopping and involve in other activities (Shamim & Ghazali, 2014). The objective of this research, therefore, is to propose extrinsic experiential value as an important factor behind customer participation behaviour in value co-creation. This is an empirical research which investigates the influence of extrinsic experiential value in terms of service excellence (reactive) and customer return on investment (active) on three dimensions of customer participation in value co-creation behaviour, namely information seeking behaviour, information sharing behaviour, and personal interaction behaviour.

## LITERATURE REVIEW

### Customer Participation Behaviour in Value Co-Creation

Since customers are considered as one of the most important stakeholders in value

co-creation, their participation behaviour is essential for value co-creation (Yi & Gong, 2013; Shamim & Ghazali, 2015b). This behaviour is achieved when customers have information seeking, information sharing and personal interaction with the firm. Information seeking refers to customers searching for information through direct and indirect resource channels; these include interaction with service providers, environment, seeking information from brands displayed in the hypermarkets, and other resources provided by the hypermarkets (Yi & Gong, 2013; Shamim & Ghazali, 2015a; Shamim, Ghazali, & Albinsson, 2016). Information sharing behaviour is when customers are willing and open to sharing information required for co-creation during their interaction with service providers (Shamim & Ghazali, 2015a). They are willing to share any kind of information with service providers and the other customers. Participation behaviour is manifested in personal interaction with service providers (Yi & Gong, 2013; Shamim et al., 2016). It

is necessary for customers to be motivated and interested in participating in value co-creation. Customer participation behaviour has four dimensions, namely information seeking behaviour, information sharing behaviour, personal interaction and responsive behaviour (Yi & Gong, 2013; Shamim et al., 2016). Hence, customer participation behaviour is reflected in three dimensions, namely information seeking, information sharing and personal interaction.

### Experiential Value Theory

In retailing, experiential value, namely customers' perception about an object based on their direct interactions which provide them relativistic preferences to get extrinsic and intrinsic benefits, is an extensively researched topic (Holbrook & Corfman, 1985; Mathwick et al., 2001). The experiential value concept is well explained by dividing it into four quadrants (Holbrook, 1994; Mathwick et al., 2001), as depicted in Figure 1.

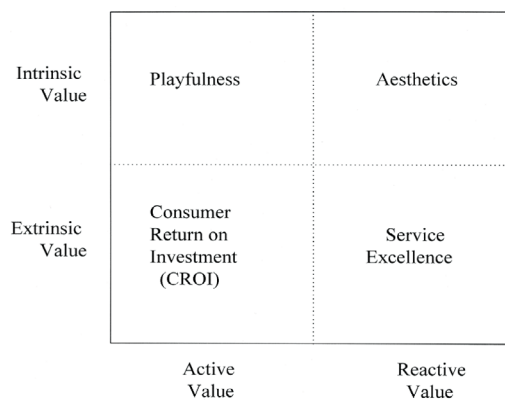


Figure 1. Experiential value topologies

*Active value* is achieved by increasing relationship between customer and marketing entities or businesses (Yuan & Wu, 2008) where customers try to fulfil their functional or affective needs by using resources provided by shopping malls (Kim, 2002; Keng, Huang, Zheng, & Hsu, 2007). On the other hand, *reactive value* is achieved from customer evaluations, responses to entities and understanding of services or products they want to buy or experience (Yuan & Wu, 2008). It is gained in a situation when customers appreciate physical shopping environment or respond positively to service counter employees (Kim, 2002; Keng et al., 2007). Similarly, *extrinsic value* is achieved by satisfying utilitarian needs such as saving money whereas *intrinsic value* is achieved through enjoyable shopping trips (Babin, Darden, & Griffin, 1994; Keng et al., 2007; Shamim, Ghazali, & Abdul Jamak, 2015).

The extrinsic value comprises two dimensions, namely service excellence and customers return, on investment (Mathwick et al., 2001). Service excellence is the reactive response of customers as a means to a self-oriented end (Holbrook, 1994; Mathwick et al., 2001). In other words, service excellence is customer appreciation for good services provided by the hypermarkets. If service excellence as a reactive response to extrinsic value is high, customers' motivation to involve with the service environment and service counter employees would be high (Shamim & Ghazali, 2014). Likewise, consumer return

on investment is the customer expectation to gain advantage out of his or her shopping visits in terms of economic gain, emotional excitement, time utilisation and psychological satisfaction (Mathwick et al., 2001).

In the context of hypermarkets, customers are more interested in getting hedonic benefits in addition to utilitarian benefits. Hence, they participate in other activities, engaging in resources provided by the hypermarkets. Thus, this paper only investigates extrinsic value and proposes that a high level of extrinsic value significantly develops customer behaviour towards participation in value co-creation activities (Shamim & Ghazali, 2014). Hence, the following hypotheses are formulated:

*H1: Extrinsic value positively influences customer information seeking behaviour*

*H2: Extrinsic value positively influences customer information sharing behaviour*

*H3: Extrinsic value positively influences customer personal interaction behaviour*

## METHODOLOGY

### Measurement Instrument

A 5-point Likert rating scale was used in this study ((1) equals strongly disagree and (5) equals strongly agree (5)). The questionnaire for measuring extrinsic

value was adapted from Mathwick et al. (2001) and customer participation behavior from Yi and Gong (2013).

### Data Collection

A pilot study was conducted on 200 samples. An exploratory factor analysis (EFA) was performed to confirm factor structure and reliability of the items. Principle component analysis using Promax rotation was used to access the factor structure. The original scale of customer participation behaviour consists of 16 items loaded on four dimensions. Based on the EFA results, five items were deleted due to low factor loading resulting in three dimensions, namely information seeking, information sharing and personal interaction. Reliability was tested using Cronbach's Alpha value which showed the value of information seeking behaviour is 0.779, information sharing behaviour is 0.839, and personal interaction is 0.858. Similarly, the original scale of extrinsic value consists of seven items. Based on the EFA results, two items of customers return on investment were deleted due to low factor loading. This resulted in five items for extrinsic value. The Cronbach's Alpha value customer return on investment is 0.805 and service excellence is 0.765.

Following this, a field study was conducted involving 800 customers of hypermarkets located in five states of Malaysia, namely Perak, Penang, Selangor, Malacca, and Johor. Using

mall intercept survey techniques, four hypermarkets from each state and 40 respondents from each hypermarket were selected randomly (Sudman, 1980). Data was collected in the morning and evening; 43.6% of the respondents were males and 56.4% females. Data were screened to detect missing values, incomplete responses, and outliers and the resulting final 516 responses were used for analysis.

## DATA ANALYSIS

### Measurement Model

Data were analysed using Structural Equation Modeling technique in AMOS 21.0 software. A two-step approach was employed for structural equation modeling (Anderson & Gerbing, 1988). In the first step, measurement model was estimated for the confirmation factor analysis (CFA) to check the model fit and validity. Findings show the factor loadings as significant (see Fig. 2). The Chi-Square / df is  $3.402 < 5$  meet the criteria recommended by Marsh and Hocevar (Marsh & Hocevar, 1985). The GFI is  $0.926 > 0.90$  (Joreskog & Sorbom, 1984), CFI is 0.935 (Bentler, 1990), TLI is 0.916 (Bentler & Bonett, 1980), and RMSEA (root mean square error of approximation) is 0.068 (Browne, Cudeck, & Bollen, 1993). These results meet all the recommended criteria for a good model fit (Hair, Black, Babin, & Anderson, 2010; Hair et al., 2010; Babin et al., 2010).

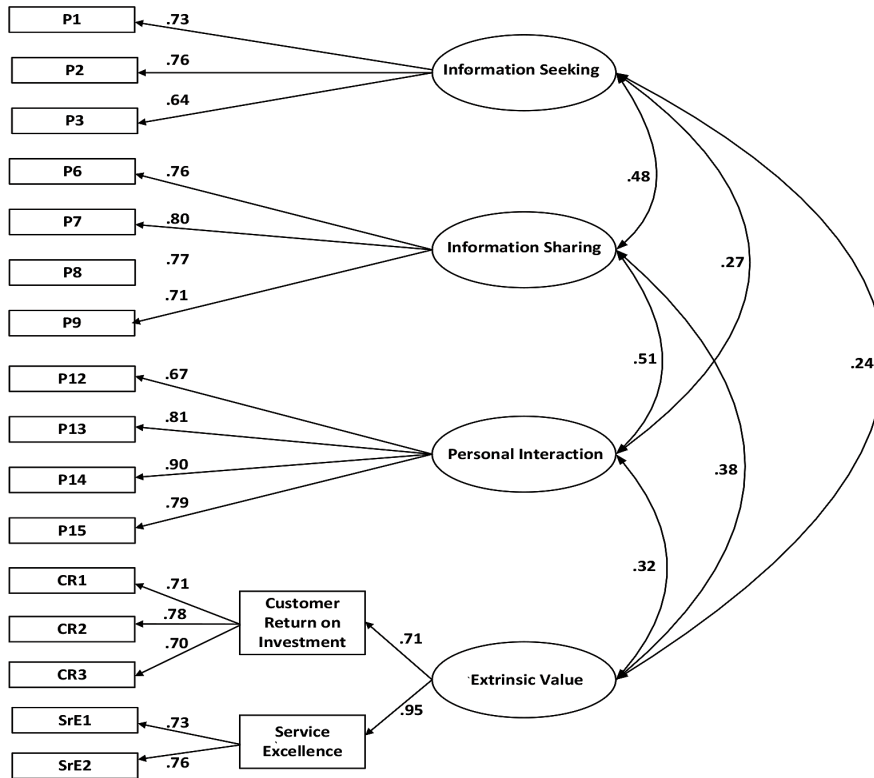


Figure 2. Measurement Model

Data were also tested for construct validity. A variable has convergent validity if Average Variance Extracted (AVE) is greater than 0.50 (Hair et al., 2010). As shown in Table 1, the AVE for all the variables is greater than 0.50 suggesting convergent validity. The discriminant validity was assessed by calculating the square root of AVE and compared with inter-construct correlations (Hair et al., 2010). As shown in Table 2, the square root of average variance extracted from all variables is greater than inter-construct correlation confirming the discriminant validity. Moreover, composite reliability for all variables is greater than 0.70 confirming reliability of the items (see Table 1).

### Data Normality

For structural equation modeling, it is necessary for data to be normally distributed (Hair et al., 2010) requiring data normality to be checked. All values of Skewness and Kurtosis were below 1 confirming the univariate normality of the data distributed. However, multivariate kurtosis value for the data was 65.99 indicating multivariate normality concerns. To rectify the multivariate normality concern, the bootstrapping technique was used where bootstrap standard error was calculated and replaced with regression standard error. The subsequent t-value and p-value were calculated based on the bootstrap standard error.

**Structural Model**

The structural model was created to test the proposed hypothesis as shown in path analysis diagram in Figure 3. The obtained CFA model is a perfect fit as the value of all estimated measures GFA, AGFI, CFI, TLI and RMSEA is greater than the threshold level. The percentage of variance explained ( $R^2$ ) for information seeking, information sharing and personal interaction is 0.27, 0.54 and 0.35 respectively indicating that the model has good explanatory power (Hair et al., 2010). The standard regression weights are presented in Table 2. As shown, the  $\beta$  value for the impact of extrinsic value on information seeking behaviour is 0.685 with 0.257 standard error. The t-statistics is 2.665 and p-value

is  $0.004 < 0.05$  suggesting that the extrinsic value has a significant and positive impact on information seeking behaviour. Hence, Hypothesis  $H_1$  is supported. The  $\beta$  estimate for the relationship of extrinsic value and information sharing behaviour is 1.248 with 0.427 standard error, and t-statistics is 2.923.895 with p-value  $0.002 < 0.05$ . This suggests that extrinsic value has significant and positive impact on information sharing behaviour, supporting Hypothesis  $H_2$ . Finally, the  $\beta$  estimate for the relationship between extrinsic value and personal interaction behaviour is 0.846 with 0.239 standard error, and t statistics is 3.540 ( $p < 0.05$ ) suggesting that extrinsic value has significant and positive impact on personal interaction behaviour.

Table 1  
Factor Loadings, Composite Reliability, and AVEs

Code Items	Factor Loadings	CR	AVE
<b>Extrinsic Value (Service Excellence, Customers Return on Investment)</b>			
SrE1 When I think of this hypermarket, I think of excellence.	0.729		
SrE2 I think of this hypermarket as an expert in the merchandise it offers.	0.761		
CR1 Shopping at this hypermarket is an efficient way to manage my time.	0.719	0.823	0.704
CR2 Shopping at this hypermarket makes my life easier.	0.772		
CR3 Shopping at this hypermarket fits with my schedule.	0.699		
<b>Information Seeking</b>			
P1 I have asked others for information on what this hypermarket offers.	0.726		
P2 I have searched for information on where this hypermarket is located.	0.764	0.752	0.505
P3 I have paid attention to how others behave to use this hypermarket service well.	0.635		
<b>Information Sharing</b>			
P6 I provided the necessary information so that the employee could perform his or her duties.	0.759		
P7 I answered all the employee’s service-related questions.	0.798	0.846	0.578
P8 I performed all the tasks that were required.	0.771		
P9 I adequately completed all the expected behaviour.	0.711		
<b>Personal Interaction</b>			
P12 I was friendly to the employee.	0.668		
P13 I was kind to the employee.	0.809	0.874	0.637
P14 I was polite to the employee.	0.902		
P15 I was courteous to the employee.	0.795		

Table 2  
Validity Matrix

Variables	Personal Interaction	Information Sharing	Information Seeking	Extrinsic Value
Personal Interaction	0.798			
Information Sharing	0.506	0.760		
Information seeking	0.271	0.477	0.710	
Extrinsic Value	0.320	0.375	0.244	0.839

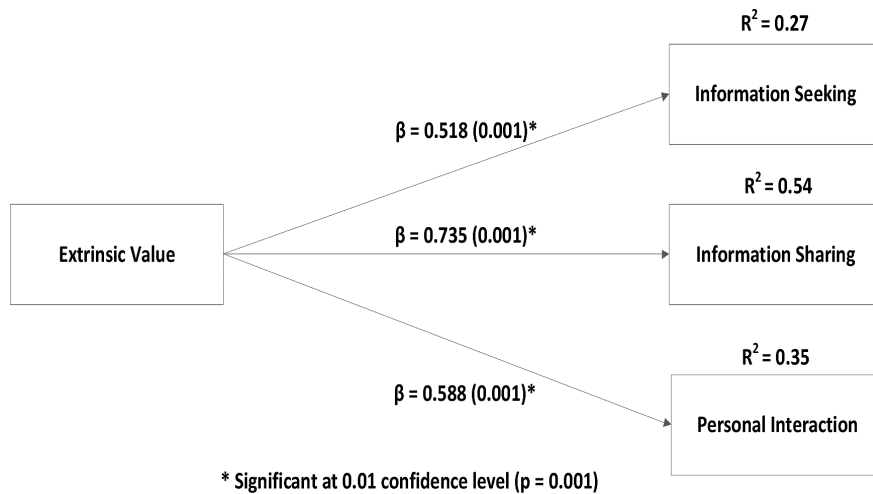


Figure 3. Theoretical Model

Table 3  
Regression Estimates

Hypothesis	Independent Variable	Path	Dependent Variables	Estimate	S.E.	t	p	Remarks
H <sub>1</sub>	Extrinsic Value	--->	Information Sharing	1.248	0.427	2.923	0.002	Supported
H <sub>2</sub>	Extrinsic Value	--->	Personal Interaction	0.846	0.239	3.540	0.000	Supported
H <sub>3</sub>	Extrinsic Value	--->	Information Seeking	0.685	0.257	2.665	0.004	Supported

**CONCLUSION AND IMPLICATIONS**

A hypermarket is a new, modern and a rapidly growing retailing concept that sells a wide range of household items under one roof. It occupies an area of between 2,500 square meters and over 8,000 square meters and has a large car park (Hassan,

Bakar Sade, & Sabbir Rahman, 2013). Malaysia has taken considerable steps to boost its retail sector by establishing a number of hypermarkets in almost every state. Many international players such as TESCO, Carrefour, Giant and AEON have a presence in the Malaysian market. On



the one hand, these retailers help boost the wholesale and retail sector but on the other, they pose a tough competition for the local hypermarkets as well as small-scale retailers. Customers prefer to shop in the hypermarkets instead of local small-scale retailers because they get more extrinsic value from the former compared with the latter (Holbrook, 1994).

This study was conducted in top four hypermarkets in Malaysia to identify how the extrinsic value offered by the latter lure customers to engage in value co-creation activities. The aim was to investigate whether or not the extrinsic value has a significant role in developing customer participation in value co-creation behaviour. Customer participation in value co-creation behaviour is measured by three dimensions, namely information seeking behaviour, information sharing behaviour and personal interaction. Three hypotheses were formulated based on these dimensions. The extrinsic value as a second order construct comprises two dimensions, namely service excellence and customers return on investment which were regressed on customers' information seeking behaviour, information sharing behaviour, and personal interaction. The results suggest that extrinsic value has a positive impact on customer information seeking behaviour, information sharing behavior, and personal interaction behaviour. Among these three variables, the highest rate of change caused by the extrinsic value is found in information sharing behaviour ( $R^2 = 0.54$ ) followed by personal interaction

( $R^2 = 0.35$ ) and then information seeking behaviour ( $R^2 = 0.27$ ). Value co-creation is a phenomenon which needs action by various stakeholders and led by customers to co-create platform for interaction and dialogue (Grönroos, 2008). Hence, these findings are relevant, meeting the basic premise for value co-creation process. Since service excellence is a reactive response to extrinsic value which is generated based on the service providers action in terms of providing excellent service, it stimulates customers' motivation level to go beyond shopping and involve in value co-creation. This shows that service providers' action is necessary for involving customers in value co-creation. On the other hand,, customer return on investment is the active source of extrinsic value where they expect to gain advantage out of their shopping trips in terms of financial gains, quality products, time save and psychological satisfaction. Customers experiencing higher gains show positive behaviour towards involvement in co-creation of value with the hypermarkets. This is advantageous for the customers as well as for the hypermarkets to boost future relationships. Hence, it is argued that for developing customers' participation in value co-creation behaviour, hypermarkets must need to focus on developing extrinsic experiential value by providing good services and high returns to customers.

Value is created by customers (Grönroos & Voima, 2013) where hypermarkets' facilitation help them in

creating value. Though the basic concept of hypermarket retailing is self-service, for co-creation of value, they need to assist their customers during delivery. For instance, some customers may take a long time to locate a product due to lack of information. Service providers by helping to facilitate sales at hypermarkets in the form of service delivery assist customers in getting a high return on their investment as the latter saves cost, time and energy. This will motivate customers to engage with the hypermarkets to co-create value. Service providers, especially at luxury stores, grocery stores, cosmetics, durable goods stores and other local shops operating within the hypermarket premises, need to enhance personal interaction with customers to ensure their shopping experience is pleasant and enjoyable. These kinds of strategies result in a co-creation environment and create more value for customers and the service providers.

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