

Chapter 8

Seeking a Sustainable Competitive Advantage in Periods of Economic Recession for SMEs and Entrepreneurs: The Role of Value Co-creation and Customer Trust in the Service Provider

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Abstract A sustainable competitive advantage is obtained when firms have resources that are valuable, rare, and unique. In this sense, building relationships that are valuable for customers and based on trust is a critical requirement for corporate success, especially in situations of economic crisis such as the current one. On the other hand, the greater part of the academic literature coincides in highlighting the positive influence that consumer participation has on the value created in service delivery. In this vein, research stands out which studies the consumer's role as a value co-creator in the service. However, there are few studies which analyze the consequences of co-creation behavior from the customer perspective. This research means to fill this gap and proposes that there is a direct relationship between value co-creation behavior and the customer's trust in the firm. The data for the empirical research have been obtained from a sample of regular users of firms in the personal image sector—a sector which is mostly made up of young, self-employed entrepreneurs and microenterprises. The implications for management would stem from the need to foster the customers' active participation in value creation by adapting actions and processes with this in mind. This can be especially important in the case of small firms and entrepreneurs, forced into seeking a sustainable competitive advantage when facing large corporations.

8.1 Introduction

Entrepreneurial processes are a decisive element of economic growth (Audretsch and Thurik 2001; Nissan et al. 2012). In the same line, Veciana (2005) defends the creating of new firms as being a fundamental factor in the development of a

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country's economy. This is due to its effect on the reduction of unemployment rates. It seems logical to suppose, therefore, that it is precisely in periods of economic recession—such as the current one—when the aim for self-employment and entrepreneurship become key elements of economic recuperation. However, the data of the National Statistics Institute (INE) for 2012 reflect a decrease in the creating of firms in Spain with respect to the previous year, as well as self-employment rates below the European average.

This general situation regarding firm creation contrasts with the conditions of the Spanish sector of hairdressing and aesthetics. This is mostly made up of young, self-employed entrepreneurs and microenterprises. The two types of entrepreneurs share a focus on the organizational context of the individual and business ownership being derived from a legal status in both cases (Audretsch 2012). We are faced with an extremely atomized sector in which there are hardly any medium-sized firms and even fewer large firms. On the other hand, the economic slow-down and the policies of expansion of the sector's main chains will significantly increase the competitive intensity in the coming years. Interest in physical appearance and postponing signs of aging has widened and diversified the public aesthetic centers aim at. Spain is one of the countries in which more importance is given to aesthetics.

In the same way, we can consider that trust is a critical factor for success in the relationship between the firm and the consumer (Grönnros 1994; Delgado and Munuera 2002), as well as in the understanding of the consumer's long-term behavior (Morgan and Hunt 1994; Berry 1995; Flavián and Guinalfú 2006). The importance of this study lies in the benefits which it can bring being both varied and significant: the satisfaction of individuals is increased and their perception is improved (Sanz et al. 2009). Trust is also key in the extent to which it fosters long-term interchange relationships and contributes to the collaboration between parties (Ratnasingam and Phan 2003). From this point of view, all long-lasting relationships must be based on this mutual trust and this trust will itself be valued by customers and suppliers. Indeed, trust adds value for customers and influences their loyalty toward the firm. This value for the customer is considered by many organizations to be a key factor when seeking new ways of achieving and maintaining a competitive advantage.

Identifying the experiences that are embedded in the value co-creation process is potentially beneficial for providers (Payne et al. 2008). The enhancement of these experiences can provide a competitive advantage, and increase confidence through the creation of positive emotional bonds (Gebauer et al. 2010). Likewise, recent studies have shown that the generated value can favor, among other things, customer satisfaction and business results (Guenzi and Troilo 2007; Cedric Hsi-Jui 2011; Pratibha and Dabholkar 2012). However, and in spite of the importance this subject has for academics and those in charge of firms, there is a gap in understanding the relationship between value co-creation and the customer's trust in the service from entrepreneurs and SMEs. This work aims precisely to tackle to what extent the co-creation process affects the customer's trust in the service provider. It at all times adopts the perspective of the customers themselves in a context of economic crisis such as the current one.

8.2 Literature Review and Development of Hypotheses

8.2.1 Value Co-creation

Co-creation implies the joint value creation between the supplier and the customer (Prahalad and Ramaswamy 2004a) and requires the building of experiences and the resolving of problems. This is achieved through a combined effort between the parts that make up a commercial relationship. This concept is based on the idea that the main business abilities are not in the value chain as such, but at the point of interaction between the customer and the firm. It is in this context that the application of the Service-Dominant (S-D) Logic paradigm (Vargo and Lusch 2004) gains a greater importance. The former is in any case a value co-creator (Yi and Gong 2012). In this line, Vargo and Lusch (2008) consider that all the parties involved in an exchange relationship perform a common function: to co-create value via the integrating of resources and the provision of services. Consequently, and following this premise, the organization must begin by recognizing that it is not possible to add value to the offer without gathering or combining resources which go beyond the entity itself (Prahalad and Ramaswamy 2004b). Value co-creation is considered, therefore, to be a way of increasing value for both the customers and the service suppliers (Vargo and Lusch 2004). The customer's role in this process is centered upon carrying out a series of activities to achieve a particular goal (Payne et al. 2008).

In an aim to unite all the efforts made until now, Yi and Gong (2012) define the behavior of customer co-creation as a construct made up of two differentiated types of consumer behavior: participation behavior and citizenship behavior. The first of these dimensions refers to the behavior that the customer adopts during the service encounter. This is considered necessary to attain an appropriate performance in the value co-creation. The second refers to a type of behavior which can create a higher value for the organization but which is not necessary for value co-creation (Bove et al. 2008; Groth 2005; Yi and Gong 2012). Each of these dimensions is made up of four factors in the original scale: information seeking, information sharing, responsible behavior and personal interaction in the framework of participation behavior and feedback, plus the advocacy, helping, and tolerance of citizenship behavior.

Although the study of the consequences of co-creation is in its initial stages, it has been possible to verify that as the customers' participation increases, their motivation and commitment with co-creation also augment. These circumstances allow them to perceive a greater quality of service. In this sense, we can also intuit that the interaction between the service provider and the customer—the basic aspect of the value co-creation process—is essential to create and maintain trust (Sanz et al. 2009).

8.2.2 Customer Trust

Trust has been analyzed in different fields. This circumstance explains the breadth of definitions provided (Little and Mari 2003). Hence, and from the perspective of

Relational Marketing, there are numerous works which revolve around the concept of trust—considered as a basic element to maintain relationships over time. In the services field, Parasuraman et al. (1985) suggest that customers must feel sure in their dealings with the service provider, as well as being certain that the information passed on will be dealt with confidentially (Vázquez et al. 2005). Trust is considered as a multidimensional construct. Various works (Fernández and Martín 2006; Flavián and Guinalú 2006; Gillil and Bello 2002; Hewett et al. 2002; Roberts et al. 2003; Sanz et al. 2009) define it on the basis of two fundamental dimensions (Vázquez et al. 2005):

1. Credibility is the capacity of an organization or a person to fulfill their promises (Ganesan 1994). More specifically, it refers to the degree to which a party believes that the other party has the experience necessary to do the work effectively and reliably.
2. Benevolence is the degree to which the customers believe that the other parties are motivated to perform in the interest of the customers' well-being and to seek common benefits, subordinating their interests to the relationship's long-term aims (Kumar et al. 1995).

The first dimension is based on the trust in the firm's capacity and competence. That is, it is seen that the firm has the technical knowledge, and the professional experience and expertise which bestows it with command in its field of activity. The second dimension is based on trust in the firm's values, aims, and intentions in such a way that an image of seriousness, integrity, honesty, and sincerity is perceived, as is the notion that in no case will the firm undertake actions which may damage the relationship (Ganesan and Hess 1997; San Martín et al. 2004; Sanz et al. 2009).

In the context of this research, trust refers to the degree of the firm's fulfillment of the contractual agreements and the expectation of its being committed to taking initiatives of mutual benefit, leaving aside possible advantages stemming from opportunism (Vázquez et al. 2005).

In this sense, we argue that the customer's active participation in the value co-creation process implies—as we have shown before—the personal interaction of the parties involved. This personalized bearing strengthens the communication between the customer and the firm. It favors the mutual comprehension of the relationship and the fostering of trust. Likewise, if the employees are pleasant and friendly, the customer will consider them to be kindred and will feel a liking toward them (Doney and Cannon 1997). The interaction between the service provider and the customer—the basic aspect of the value co-creation process—is essential to create and maintain trust (Sanz et al. 2009).

On the other hand, the customers' responsible behavior will be favored when they perceive that the seller is equally responsible. This fact will reduce their fear of opportunistic behavior. This circumstance will lead to an increase in the trust in the service provider (Barclay and Smith 1997).

Communication has been considered to be a key component in the development of a relationship (Bendapudi and Berry 1997; Duncan and Moriarty 1998). This means that when customers provide the employees with information about the

specifications of the service which they wish to receive and an open and bilateral communication is produced, the firm's aim will be oriented toward the achievement of the customer's well-being. This situation will foster trust.

On the other hand, the current economic situation requires the dynamizing of entrepreneurs and SMEs as economic motors. To do so, customer value creation, the setting up of participative environments, and the development of appropriate marketing strategies which foster loyalty, satisfaction, and trust are essential.

On the basis of these arguments, it is defended that co-creation permits the reduction of the customers' perceived risk and increases their trust in the service provider. This leads us to posit the following research hypothesis:

H: There is a positive relationship between the customers' behavior of value co-creation and their level of trust with the service provider.

8.3 Empirical Study

8.3.1 Methodology

To verify the hypothesis proposed, adults over 18 were personally interviewed. They had to be regular users of some center for personal care, such as hairdressers', beauty parlors, hair removal centers, and gyms. The interviews were carried out between September and November 2012 by interviewers trained in the matter. This quarter coincides with an especially delicate economic situation for Spanish entrepreneurs due to the strict adjustment measures driven by the Spanish government at the request of the European Union. The data collection finished with 547 duly-completed questionnaires. The SPSS 20 and AMOS 20 statistical programs were used for the data analysis.

8.3.2 Measurement Scales

Value co-creation: To measure value co-creation the scale proposed by Yi and Gong (2012) was used. This scale is the first which aims to know all the aspects associated with value co-creation behavior from the customers' perspective. The authors uphold that co-creation is a third order construct made up of two second order dimensions: participative behavior and citizen behavior. The 29 items of the construct are measured with a 7-point Likert-type scale. Taking into account the scale's multidimensionality, the analysis of its reliability and validity has been carried out dimension by dimension. Upon removing the indicators that do not fulfill the minimum requirements, all the indices show appropriate values on the scale of the pertinent validity and reliability analyses.

Customer trust: The customers' trust in the personal care center chosen has been measured using the bidimensional scale proposed by Vázquez et al. (2005). When the scale was submitted to the analysis of reliability and validity—once one item which did not attain the recommended values had been removed—all the indices surpassed their acceptance values. We can therefore guarantee this measurement instrument's reliability and discriminant and convergent validity.

8.3.3 Data Analysis

Before evaluating the structural model, we analyze the measurement model. Following the theoretical guidelines we carry out a factorial analysis using structural equations and taking into account four criteria: the significance and value of the factorial loadings, the individual reliability of each item, and the model's fit indices. All the indicators surpass the minimum thresholds and the goodness of fit indices show that the measurement model is appropriate (RMR=0.101; RMSEA=0.056; GFI=0.895; Normed $\chi^2=2.71$).

8.3.4 Results

Regarding the causal model proposed, the data confirm the relationship set out in the hypothesis H ($\lambda=0.991$, $p<0.01$). It can therefore be stated that there is a positive relation between value co-creation and the customer's trust in the service provider. The goodness of fit indices present appropriate values in general (RMR=0.101; RMSEA=0.056; GFI=0.895; Normed $\chi^2=2.71$).

8.4 Implications for Management

In spite of the unfavorable economic situation, the sector of aesthetics and personal image is on the rise. The demand for the services of this type of establishments is experiencing considerable growth and the main international chains are considering entering the Spanish market. This fact, along with the sector's high atomization—characterized by the presence of a great number of self-employed and microenterprises—is going to considerably heighten competitiveness. In these circumstances, entrepreneurs will see themselves forced to achieve a sustainable competitive advantage which helps them to compete appropriately. Value co-creation seems like being one of the most accessible. The findings of the study suggest that service firms dedicated to personal care should foster the customers' active participation in the value creation process, as this has been shown to have a positive influence on the customer's trust in the service provider. Therefore, and according to the results attained,

firms should make an effort to favor this interaction. They can do so by creating appropriate communication channels and fostering the involvement of the customer in the process of the production of the service. This is a fundamental aspect considering firm results, as it directly influences the retaining of customers and profitability.

Moreover, it could be expected that the consumer will acquire certain skills in the value creation process, hence contributing to differentiate the supplier's service (Dong et al. 2008).

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