

Chapter 9

The Role of Value Co- Creation on Brand Image: A Conceptual Framework for the Market Performance of SMEs in Malaysia

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ABSTRACT

The proliferation of SMEs in Malaysia shows that a better understanding on this SMEs are needed. Even though the SME market is booming, these SMEs face difficulties in sustaining in the constantly evolving marketplace. In order to continuously flourish in this industry, the firms should understand the role of value co-creation in improving their market performance. The lack of value co-creation implementation has been found to act as a barrier for these SMEs. Moreover, SMEs are identified to have issues in establishing a strong brand image through value co-creation. Therefore, the book chapter develops a conceptual framework to improve the understanding on the contribution of value co-creation in the development of stronger brand image and greater market performance.

INTRODUCTION

The existence of Small Medium Enterprises (SMEs) plays an important role in the socioeconomic development of the country. In recent years, the SMEs in Malaysia have been continuously booming. According to SME Corp. Malaysia, among the business entities in Malaysia, approximately 97.3% are SMES based on the year 2014, which contributed about 33.1% towards the Gross Domestic Product (GDP) and 57.5% of employment (Rosley, 2015). Up to the year 2015, the Malaysian government has allocated RM11.34 billion towards the development of these SMEs (SME Annual Report, 2015). This allocation is expected to boost the productivity as well as encourage new businesses to embark into the

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SME industry. The major focus of these firms is to improve their market performance which depends on the capability and ability of the SMEs' market orientation. Thus, firms have come up with various strategies in order to improve their market performance. One of the recent strategies of firms are collaborating with customers in terms of value co-creation.

Firms have evolved from the goods-dominant logic (G-D) which focuses solely on the activities performed by the company to the service dominant logic (S-D), giving importance to the involvement of the consumers in the process chain and the relationship between the firms and consumers. Value co-creation has been identified to provide various benefits to the firms as well as consumers. According to Badurdeen and Liyanage (2011), value co-creation contributes to the betterment and sustainability of the products whereby, firms get to understand and meet the consumers' needs and preferences. Therefore, firms are able to modify and implement the decision making process which is more efficient and saves time and resources (Chen et al., 2012). This shows that value co-creation is able to encourage competitive advantage and improve its market performance.

One of the organization that successfully practice value co-creation is IKEA, one of the popular retail furniture company in the world. In IKEA, consumer value is implemented through the co-creation of personalized customer experiences in the store itself in terms of testing and trying the home design which are available. Different themes of rooms are provided based on the customers' preferences. Moreover, IKEA also uses value co-creation where consumers are required to conduct their own assembly operation. By doing so, IKEA manages to have high turnover of products while consumers benefit from the lower cost. Another company that uses value co-creation is LEGO. LEGO has an online platform called Lego Ideas which allow Lego users to come up with their own ideas and share them here. Other users are allowed to vote on these ideas and the ideas which are the most popular will receive a small amount from the net revenue from LEGO. Since the G-D logic has transitioned into the S-D logic, SMEs are also moving into the value co-creation process in order to sustain within their highly competitive industry. Value co-creation is vital for SMEs as it would be able to train them to utilize their limited resources efficiently and effectively while sustaining their brand in the marketplace.

In addition, value co-creation also plays a role in the field of new product development. Here, consumers come into the picture in providing useful information and ideas on the products and services that they need and want. These products and services might not be available in the market currently but is considered to be useful in the nearest future. Therefore, the firms which practice value co-creation would have the competitive advantage of introducing a new product which will meet the demand of consumers. However, even though SMEs have difficulties in terms of budget and resources, investing in product development would benefit the firm in terms of sustainability and increase in sales revenue. Through value co-creation, SMEs can expect to have more involvement in the product development which will subsequently improve their brand image.

In the current business world, the brand image of the organization plays an important role. Brand image is defined as the combinations of different brand names in terms of the brands' characteristics (Keller, 1993). Brands are an important asset for every firm because it determines the value of the particular firm and drives the entire marketing activity of the firm. Moreover, the brand serves as a competitive advantage for the firm. For SMEs, creating a strong brand image would ensure its sustainability in the marketplace. Having a strong brand image would help the SME in terms of spending lesser budget on promotions of the brand. This is because brands which are reputable, trusted and well known provide assurance and confidence to consumers in purchasing its products.

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