

# Customer Value Co-Creation Practices in E-Retailing Platform: A Microfoundational Approach

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## ABSTRACT

From a microfoundational approach, this paper aims to formulate and validate a comprehensive model that centers on co-creation practices of e-retailing customers. Standing on the service ecosystem view of service dominant logic, the paper proposes e-commerce mechanisms and social capital as antecedents of, and customer empowerment, trust in community of sellers and brand equity as consequents of the practices. We assessed the model through a PLS-SEM analysis on surveyed data of 259 e-commerce customers that evidently supports all hypothesized relationships. The study is one of the first to offer a quantitative multi-level explanation of customer co-creation in e-commerce platforms, in which e-commerce mechanisms (i.e. macro level) affects social capital (micro), social capital associated leads to customer practices (micro-micro), and customer practices interrelated generates empowerment, trust and brand equity (macro), and hence, it is among the first to empirically illustrate the three social mechanisms, namely situational, action-formation, and transformational.

## KEYWORDS

Retailing Platforms, Social Capital, Value Co-Creation Practices, Trust In Community Of Sellers, Customer Empowerment, Service Brand Equity, E-Commerce Institutional Mechanism

## INTRODUCTION

The platform economy is becoming more important to both academics (Siaw & Okorie, 2022) and practitioners (Gleiss et al., 2021). Among the key online platforms, retail platforms, and e-commerce platforms, e-retailing platforms are the most popular (Kenney & Zysman, 2016).

Digital platforms are an increasingly important theme in business research (Gleiss et al., 2021), and platform research increasingly looks forward to service management (Smedlund et al., 2018). Online service platforms link various customers with different suppliers and intermediate various interactions among them, which contributes to the (re)formation of a service ecosystem (Breibach & Brodie, 2017). It is noted that service is simply understood as, for example, numerous e-commerce transactions. Importantly, service platforms as e-commerce platforms, including many kinds of actors—buyers, sellers, payment intermediaries, delivery service providers, platform owners and so

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on—are increasingly common as parts of the daily lives of almost all people in their role of customers (Smedlund et al., 2018).

In spite of the significance of digital platforms in general, according to Hanninen et al. (2019), online retail platforms have received limited attention from scholars, even though the dawn of digital platform reaches back to the mid-1990s. Those authors emphasized the need for new knowledge about, for example, creating several types of values to lock in customers to a specific platform. Kenney and Zysman's (2016) seminal work indicated that the key issues in the platform economy are the ways in which to create or sustain the value generated by platforms—specifically, how the situational and social contexts impact actor value-creating practices (Breidbach & Brodie, 2017).

For this paper, we took a microfoundational approach to value co-creation (Storbacka et al., 2016) to investigate the (re)formation or emergence of service ecosystems represented as the value outcomes or the emerging properties at meso- and macro-level (Wajid et al., 2024).

The microfoundational framework was our preferred approach for several reasons. It offers a continuing development of Service Dominant Logic (SDL), which is inherently a meta-theoretical framework of value creation and a dominant lens for the investigation of service ecosystems in general (Barrios et al., 2023). Moreover, microfoundations provide a multi-level value co-creation explanation for the system under investigation, drawing on the recognition that understanding individual observable activities is required for understanding a higher-level abstract social system as a whole (Storbacka et al., 2016). In our research, the microfoundation was customer value-creating practices (Schau et al., 2009) or, generally, actor engagement practices (Wajid et al., 2024). Importantly, practice theme was our key choice because it resonates with the SDL-informed service ecosystem and institutional turn (Vargo & Lusch, 2017).

Next, centering customer value-creating practices towards service brand co-creation (Sarasvuo et al., 2022), we proposed customer social capital and perceived effectiveness of e-commerce institutional mechanism (PEEIM) as its antecedents for several reasons. First, while the social capital perspective is increasingly recognized as an important integration into the SDL framework, the role of such operant resources in the service ecosystem largely remains empirically underexplored (Laud et al., 2017). Second, although an institutional lens is the latest trend in service research (Koskela-Huotari & Siltaloppi, 2020), quantitative research on institutional structures for value co-creation seems to be quite limited. It is notable that institutions have been conceptualized as both coordination mechanisms for actors' activities and resources guiding actors' interactions (Akaka et al., 2021). As such, we integrated PEEIM as the foundational facilitator of value-creating practices in e-commerce platforms (Koskela-Huotari & Siltaloppi, 2020).

Concerning the value outcomes from customer value co-creation practices, customer empowerment, trust in the community of sellers, and service brand equity were targeted as the service benefits for customers, sellers, and the platform as a whole, respectively. In terms of the context level, the latter outcome (i.e. service brand equity) was at the macro level, while the former two outcomes (i.e. trust in community of sellers and customer empowerment) were at the meso level, so as to demonstrate nuances in service ecosystem dynamics that have been increasingly called for more investigation (Vargo et al., 2023). It is notable that the first meso-level outcome (i.e. trust) was an ephemeral property and the second one (i.e. empowerment) was a stable property, and these two properties in the same study were significant yet have received little attention in service ecosystems (Wajid et al., 2024). Service brand equity, a manifestation of societal institutions including customers, sellers, brand communities, platform owners, and, hence, a property at the macro level, referred to a brand-related, co-created value that needed to have more empirical validation in SDL (Hollebeek et al., 2021). To be clear, the term “service brand equity” herein referred to the brand equity of the platform itself, in which the platform acts as an e-commerce service as a whole from customers' perspective.

Drawing from an SDL-grounded service ecosystem view that emphasizes the systemic and institutional nature of value co-creation (Akaka et al., 2021), this study provided the following key contributions. Firstly, it empirically offered a multi-level explanation of value co-creation in

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