

The Influence of Cooperative Literacy on Value Co-Creation Behavior and Loyalty of Cooperative Members: A Proposed Conceptual Framework

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DOI: <https://dx.doi.org/10.47772/IJRISS.2024.8120067>

Received: 29 November 2024; Accepted: 02 December 2024; Published: 01 January 2025

ABSTRACT

In recent decades, researchers have shown significant interest in value co-creation behavioral studies. Studies have shown that value co-creation plays a crucial role in the development and sustainability of retail industry. While recent research primarily concentrates on defining the dimensions of value co-creation and its precursors, there is still a gap in understanding its influence towards relational marketing aspects. Applying the Service Dominant (S-D) Logic theory supported by Experiential Learning theory, this paper intends to propose a value co-creation behavioral framework with the inclusion of cooperative literacy and members' loyalty in the context of consumer cooperatives in Sarawak. While previous research has examined the connection between value co-creation behavior and loyalty, there has been limited studies that looking into knowledge factor particularly on knowledge literacy as a moderator. Furthermore, the application of the aforementioned concepts within the context of cooperatives in developing markets remains unclear. Hence to address this gap, this conceptual paper intends to propose a value co-creation behavioral framework with the inclusion of cooperative literacy and members loyalty through the lens of consumer cooperative in developing markets.

Keywords: Value Co-Creation Behavior, Cooperative Literacy, Loyalty, SD-Logic, Experiential Learning Theory

INTRODUCTION

One of the primary goals of any business entity is to create value for customers through the delivery of products and services. As an essential benchmark of business performance, value leads to customers' satisfaction and loyalty (Yi, 2014). Customers' value creation has been viewed as a vital key marketing concept. As conceptualized by Grönroos (2012), value co-creation is the "joint collaborative activities by parties involved in direct interactions, aiming to contribute to the value that emerges for one or both parties". According to Rubio, Villaseñor and Yagüe (2020), value co-creation continues to be a key issue in the era of marketing 4.0. Despite an increasing amount of research on value co-creation, there is still a lot of ambiguity in the use of certain concepts (Rubio et al., 2020). The conceptualization of value co-creation has become increasingly important in recent times, requiring a consensus understanding between academics and practitioners (Rubio et al., 2020). Nowadays, tangible products cannot survive without the accompaniment of service. According to a service-dominant logic (Vargo and Lusch, 2004), value creation resources are not possessed only by companies; stakeholders (such as customers) can also contribute to value creation. By extending into the thought, Yi and Gong (2013) developed a two-dimensional construct of 'customer value co-creation behaviour' namely customer participation behaviour and customer citizenship behaviour. The service-dominant logic emphasizes the importance of customer engagement and dialog during the co-creation process. In recent years, value co-creation (VCC) has gained significant recognition and traction as an effective process, driven by the increasing interest in this concept among professionals and scholars globally (Saha, Goyal, and Jebarajakirthy, 2022).

One of the main challenges that is faced by most of the cooperatives today is the obtaining of support from members which also can be considered as loyalty. This is inline with the study conducted by Harisudin, Adi and Pratama (2020), it was found that cooperatives face significant challenges, including a high number of competitors, a decline in the number of members, and a lack of member loyalty. These factors were identified as major problems affecting cooperatives. there is a noticeable absence of a cross-industry analysis that explores the impact of VCC on customer behavioural outcomes, such as customer loyalty and commitment and this gap in the VCC literature has yet to be addressed or documented (Saha et al., 2022). The increasing number of co-operatives and total membership every year does not reflect the achievement of this sector (Musa et al., 2020). Moreover, according to Malaysia Cooperative Societies Commission (MCSC, 2023), in the Malaysian Cooperative Transformation Plan (TransKoM) (2021-2025), there are 10 major challenges identified and need to be addressed through this plan for a conducive cooperative development and regulatory ecosystem can be created to empower the cooperative movement to compete at the national and global level. One of the challenges is the involvement of cooperative members. As stated in Malaysian Cooperative Transformation Plan (TransKoM) (2021-2025), the spirit of 'ownership' needs to be enhanced through the involvement of more active members in economic activities carried out by cooperatives (MCSC, 2023). Despite the cooperative society's major contribution to the nation's economic progress, Malaysia's cooperative society movement is still seen as less developed than those of other nations (Yacob, Ali, Ting, Lajuni and Hussin, 2017).

In addition, awareness and knowledge about cooperative are fundamentals for the members to have a sense of belonging with the cooperative (Hasbullah, 2015). Co-operatives should always make it a priority to frequently disseminate information to the members to enable them to understand the basic principle of co-operative, how things are operationalized differently from the private entity and how members' role and responsibilities could promote to the success of cooperative (Hasbullah, 2015). Most co-operatives will likely face difficulties staying afloat because members might not trust, be dedicated to, or stay loyal to their cooperative due to the lack of knowledge about co-operatives (Daniel, 2017). Experiential Learning Theory (ELT) is intentionally designed to be a holistic and flexible method of learning that integrates experience, perception, cognition, and behaviour (McCarthy, 2016). ELT is a dynamic and all-encompassing framework that elucidates how adults acquire knowledge through their experiences (Kolb and Kolb, 2017).

LITERATURE REVIEW

Value Co-Creation Behaviour

In this study, value co-creation behaviour is conceptualized as a multidimensional concept, encompassing two higher-order factors, each comprising multiple dimensions. These factors are customer participation behaviour and customer citizenship behaviour (Yi and Gong, 2013). As customers within a cooperative context are the members themselves, the two dimensions of value co-creation behaviour are defined as member participation behaviour and member citizenship behaviour.

Service-Dominant (S-D) Logic Theory

Service-dominant logic (S-D logic) suggests that value is co-created by the mutual interaction between service providers and customers during the consumption process, rather than being produced through a one-way exchange (Vargo and Lusch, 2016). Vargo and Lusch (2004) proposed a Service-Dominant (S-D) Logic Theory provides a holistic perspective on marketing. This theory emphasizes that service is not just a specific form of exchange, but rather the fundamental basis of all exchange, and that goods are merely a means for delivering service (Vargo and Lusch, 2016). According to S-D logic, service is a process of value creation that involves the integration of resources, including the customer's resources, to create value propositions that meet the needs and desires of customers (Lusch and Nambisan, 2015). Vargo and Lusch (2016), who propose that the co-creation of value is a fundamental characteristic of service-dominant logic. Hence, that customers play a crucial role in the value creation process and are always co-creators of value in service interactions. Without the interactions between customers and service providers, firms will miss out on the opportunity to be involved in the value creation process, resulting in a failure to co-create value.

Experiential Learning Theory (ELT)

Experiential Learning Theory (ELT), defined as the process in which knowledge is generated by taking experiences and changing them. Knowledge is the outcome of both understanding and reshaping these experiences (Kolb, 1984, p. 41). Experiential learning theory was developed by drawing inspiration from Kurt Lewin's research and John Dewey's idea of "learning by doing" to gain scientific knowledge by conceptualizing and transferring experiences (García-Sánchez and Luján-García, 2016). Experiential Learning Theory (ELT) is intentionally designed to be a holistic and flexible method of learning that integrates experience, perception, cognition, and behaviour (McCarthy, 2016). ELT is a dynamic and all-encompassing framework that elucidates how adults acquire knowledge through their experiences (Kolb and Kolb, 2017).

Customer Participation

Customer participation behaviour refers to the in-role behaviour of customers, which involves actively collaborating with the company in co-creating products or services (Yi and Gong, 2013; Foroudi, Yu, Gupta and Foroudi, 2019). Throughout the delivery of service, depending on a type of services, the customer's participation can vary from low to high (Ida, 2017). According to Naeem and Di Maria (2021), in most cases, a participating customer, in the context of service value co-creation, exhibits a specific attitude and behaviour by offering their resources to contribute to the co-creation process of service value. Indeed, customer participation behaviour falls into the category of required behaviour that is essential for achieving successful value co-creation. The original scale comprises four factors within each of these dimensions. The customer participation behaviour includes some customer activities such as information seeking, information sharing, responsible behaviour for customers to be cooperative and personal interaction (AbdelAziz, Md Saad and Thurasamy, 2023).

According to Roy, Balaji, Soutar, and Jiang, (2020) customers actively pursue information to gain a better understanding of the services they are about to receive, as well as their roles and responsibilities in the process of co-creating value. This information-seeking behaviour serves to minimize uncertainty and foster the acquisition of knowledge and skills necessary for effective resource integration (Lee, Hsiao, and Chen, 2017). Next, sharing information is crucial in various contexts. Without essential information provided by members, employees are unable to commence or carry out their responsibilities (Yacob et al., 2018). Consequently, failing to share the correct information with the service provider can lead to a diminished value co-creation experience (Khan and Hussainy, 2017). Therefore, it becomes evident that this factor plays a pivotal role as a key success driver in value co-creation. In order to ensure the successful value co-creation process, customers are required to comply with directives from employees, such as being physically present when necessary (Yi and Gong, 2013). Khan and Hussainy (2017) adds more, the value co-creation process is unlikely to achieve significant success without the responsible behaviour of customers. Finally, the personal interaction between customers and employees, known as interpersonal relations, is integral to the attainment of successful value co-creation (Yi and Gong, 2013). These relationships significantly contribute to the overall process of co-creating value (Yi and Gong, 2013). These aspects encompass elements such as respect, friendliness, and courtesy. Customers often engage in resource sharing with one another, frequently offering physical assistance or advice to fellow customer-strangers. This behaviour fosters additional interactions and can potentially cultivate a temporary sense of friendliness among individuals involved (Rihova, Buhalis, Gouthro and Moitall, 2018).

Customer Citizenship

Customer citizenship behaviour also refers to extra-role behaviour or voluntary actions beyond the expected role of a customer, which involve engaging in positive behaviours towards other customers, employees, or the company (Assiouraset, Skourtis, Giannopoulos, Buhalis and Koniordos, 2019). More recent research suggests that customer value creation behaviour could be considered as a customer citizenship behaviour, which focuses on the extra-role behaviour that provides extraordinary value to the firm (Yi and Gong, 2013; Arica and Kozak, 2019; Assiouras et al., 2019). Customer citizenship behaviour encompasses a range of customer actions, including providing feedback, advocating for the firm, recommending it to others through positive word of mouth, assisting fellow customers, and demonstrating tolerance and patience when the service or

product falls short of customer expectations (AbdelAziz et al., 2023). In addition, Yi and Gong (2013) highlight the significance of customer citizenship behaviour in enhancing the co-creation experience and informing strategies for value co-creation. This behaviour can provide firms with an extra edge in fostering value co-creation with other customers and proves beneficial in formulating additional strategies for value co-creation. Moreover, it encompasses four distinct aspects: feedback, advocacy, helping, and tolerance.

According to Kim, Tang, and Bosselman (2019), feedback is a discretionary action and is not mandatory for achieving successful service delivery. In other words, customers have the choice to provide feedback, but its absence does not hinder the overall success of the service delivery process. Next, Advocacy can be defined “recommending the business - whether the firm or the employee - to others such as friends or family” (Yi and Gong, 2013, p. 182) According to Khan and Hussainy (2017), referrals and recommendations hold significant benefits, particularly within service settings, as they contribute to the promotion of products, the development of a positive image, and ultimately, the expansion of the business. Moreover, according to Yacob et al., (2020), helping behaviour in service co-creation pertains to customers' willingness to assist and support other customers, actively contributing to the collaborative process of value creation. Finally, Tolerance can be defined as “customer willingness to be patient when the service delivery does not meet the customer's expectations of adequate service, as in the case of delays or equipment shortages” (Yi and Gong, 2013, p.1820). The extra role behaviour exhibited through citizenship behaviour facilitates the smooth functioning of a company's social system.

Cooperative Literacy as Moderator

Cooperative literacy refers to a compilation of information, expertise, and comprehension concerning the diverse elements of cooperatives, including their institutional aspects, membership, financial matters, and operations (Pratiwi and Rahmah, 2020). For cooperative societies to keep going and do well, it is important for the members to learn about co-operatives (Anania and Rwekaza, 2016). A strong grasp of cooperative knowledge by members holds significant importance, as this knowledge encourages their active engagement. Through the active participation of members, cooperative businesses can advance and flourish, ultimately leading to the attainment of success (Safitri, 2020). The existing research has been examined to assess the level of understanding about cooperatives. This is necessary because there is not a standard curriculum to create consistent educational materials for cooperatives (Pratiwi and Rahmah, 2020). Several studies on cooperative literacy indicate that when members have a stronger grasp of cooperative concepts, their participation in the organization's growth tends to increase (Trisuladana and Suparman, 2017).

Furthermore, a study conducted by Anania and Rwekaza (2016) demonstrated that insufficient member knowledge could lead to reduced dedication, weaker loyalty, and a lack of responsibility towards their institutions. A strong understanding of cooperative literacy can serve as a motivation for both members and boards to engage actively in their institutions (Pratiwi and Rahmah, 2020) Additionally, it holds considerable influence over the performance and expansion of the organization (Chareonwongsak, 2017). A study by Li and Wu (2021), stated that the education level plays a significant moderating role in the relationship between social norms and rice farmers' behaviour of organic fertilizers application. The findings revealed that it is important for the government to contribute to enhancing the education of villagers by increasing investment in fundamental education in rural areas. Hence, the necessity for additional research should be conducted on the moderating role of cooperative literacy due to inconsistencies observed from previous studies.

Loyalty

According to Cossio-Silva et al. (2016) suggest that the behaviour of value co-creation influences both attitudinal loyalty and behavioural loyalty dimensions. Loyalty encompasses various dimensions and can be defined in multiple ways. Behavioural loyalty involves repetitive purchasing, whereas attitudinal loyalty pertains to a personal attitude, encompassing various emotions that contribute to customers' loyalty towards a product or service (Cossio-Silva et al., 2016). Developing and maintaining customer loyalty is often considered the ultimate goal of business endeavours (Singh, Iglesias, and Batista-Foguet, 2012). In the realm of services marketing, customer loyalty can be defined as a customer's willingness to establish a long-term relationship with a specific brand and actively recommend it to others (Lovelock and Wirtz, 2011; Markovic,

Iglesias, Singh and Sierra, 2018). Customer loyalty is often regarded as a primary business objective for many operators, as loyal customers have the potential to attract more prospective customers and contribute to the growth of business activities, as noted by Lariviere Keiningham, Cooil, Aksoy and Malthouse (2014).

In the context of cooperatives, member loyalty poses a unique challenge inherent in the cooperative model (Morfi, Ollila, Nilsson, Feng, and Karantininis, 2015). Loyalty within cooperatives is contingent upon their effective functioning, which can sometimes be challenging due to the management of conflicts between economic performance and the interests of the members (Klafke, Pinto and Picinin, 2022) Cooperative members typically expect lower input prices and higher selling prices for their production. This necessitates that cooperative operate with competitive pricing, strive for optimal economic performance, and effectively serve the needs of their members (Klafke, Pinto and Picinin, 2022).

Conceptual Framework and Hypotheses

Figure 1: Conceptual Framework

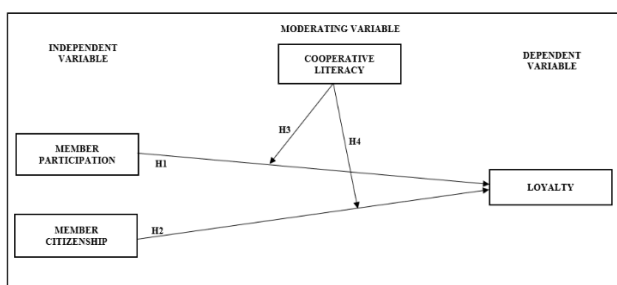


Fig. 1: Conceptual framework adapted by Yi & Gong (2013) and Kolb (2015)

Due to the mixed findings from various studies, the following hypotheses are developed:

H1: There is a positive relationship between Member Participation and Loyalty.

H2: There is a positive relationship between Member Citizenship and Loyalty.

H3: Cooperatives Literacy moderates the relationship between Member Participation and Loyalty.

H4: Cooperatives Literacy moderates the relationship between Member Citizenship and Loyalty.

METHODOLOGY

The chosen target respondent for this study is consumer cooperative in Sarawak. The respondents were extracted from the members of a cooperative in Sarawak. They could be approached from the major divisions of cooperatives in the state such as Bintulu, Kinawot, Kapit, Kuching, Lawas, Limbang, Marudi, Meradong, Miri, Mukah, Samarahan, Saratok, Sarikei, Serian, Sibul, Simunjan and Sri Aman. This research utilized purposive sampling as the researcher had pre-determined the specific criteria for the targeted respondents. Basically, the specific criteria for this study are the members of cooperative sector that has subscribe towards the product or service offered by consumer cooperative. Examples of products are food, beverages, apparel and so on. The rationale behind choosing Sarawak lies in its ethnically diverse population and the relatively limited presence of cooperative organizations. This underscores the importance of understanding cultural diversity among cooperative members. Additionally, Sarawak's economy ranks third in contributing to Malaysia's GDP (Lee and Voon, 2022). Moreover, consumer cooperatives stand as the fourth highest contributors to the nation's economy in terms of turnover, trailing behind banking, credit, and services cooperatives (Zakaria et al., 2022). Approximately 250 respondents will be assessed to ensure reliable information and to provide a backup in case any errors occur while filling out the questionnaire. As indicated by G Power 4.0.9.6 calculation, the minimum sample for this study is 129 respondents ($f2 = 0.15$, number of predictors = 4). IBM measurement SPSS Statistics Version 29 and Smart PLS 4.0.9.6 are tools that will be used to obtain the results.

CONCLUSION

This study holds practical implications for the cooperative movement in Malaysia, given the crucial role that value co-creation behaviour among members plays in the success of cooperatives. The findings contribute to the development of a proposed conceptual framework for value co-creation in consumer cooperative firms, offering both conceptual and practical insights into the value co-creation behaviour model and its application. The research framework, elucidating the relationship between co-creation behaviour and members' loyalty, can serve as a valuable guide for practitioners, aiding them in enhancing their marketing strategies and practices. Furthermore, these research findings will provide enhanced understanding and insights into cooperatives literacy towards loyalty, highlighting their significance as key aspects of relationship quality in the cooperative industry. The study also sheds light on the importance of members' active participation and citizenship as dimensions of value co-creation in consumer cooperatives. This understanding will help in recognizing the benefits of member participation and citizenship in increasing their loyalty towards consumer cooperative. The understanding towards the co-creation dimension as the antecedents and its effect on loyalty as the outcome is essential. It will assist towards receiving favorable responses from the customers. Value co-creation serves as a construct that will enable the organization to stay viable and competitive in the market. The completion of this research marks an emerging research model of value co-creation behaviour that aims to strengthen the loyalty of cooperative members

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